OPG Power Ventures Plc

Delivery and growth

OPG Power Ventures Plc
Annual Report and Accounts 2012

OPG Power Ventures Plc is developing and operating power plants in India.

The Company is committed to building shareholder value and to being the first choice provider of reliable, uninterrupted power at competitive rates to its customers. OPG is listed on the Alternative Investment Market of the London Stock Exchange (AIM:OPG).

Overview

01 Highlights
02 Our Operations and Projects
04 Market Overview
06 Business Model
08 Key Performance Indicators
10 Chairman's Statement

Business Review

12 Chief Executive's Statement
16 Maximising Opportunity
18 Continuous Supply
20 Strategic Locations
22 Operational Review
24 Principal Risks
26 Financial Review
30 Responsible Growth
34 Board of Directors

Corporate Governance

36 Corporate Governance
40 Directors' Remuneration Report
44 Directors' Report
46 Statement of Directors' Responsibilities in Respect of the Accounts

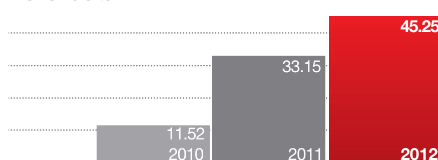
Financial Statements

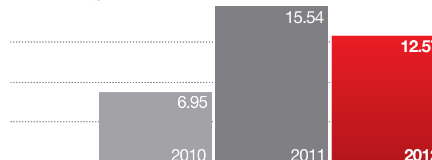
47 Independent Auditors' Report to the Members of OPG Power Ventures Plc
48 Consolidated Statement of Comprehensive Income
49 Consolidated Statement of Financial Position
50 Consolidated Statement of Changes in Equity
52 Consolidated Statement of Cash Flows
53 Notes to the Consolidated Financial Statements
78 Corporate Directory
79 Definitions and Glossary

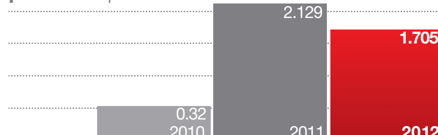
Highlights 2012

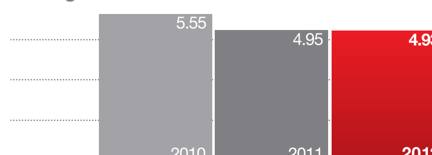
Operational

- 77 MW Chennai I operated at a plant load factor of 92%
- 77 MW Chennai II construction complete and trials ongoing; revenue generation expected by September 2012
- Accelerated construction of new 80 MW Chennai IV; expected commissioning Q2 2013
- 160 MW Chennai III construction commenced; expected commissioning Q2 2014
- 300 MW Gujarat facility based on air-cooled condenser with H2 2014 commissioning
- No coal shortages experienced by OPG









Financial

- Group revenue up by 37% to £45.25m (FY11: £33.15m)
- EBITDA at £12.57m (FY11: £15.54m)
- Exceptional change on deconsolidation of legacy plants £4.82m
- Earnings per share (pre-exceptional) 1.705 pence
- Cash and cash equivalents of £39.27m (including available-for-sale investments amounting to £1.39m)
- Long-term borrowings of £56.05m

Our Operations and Projects

113 MW current operating capacity

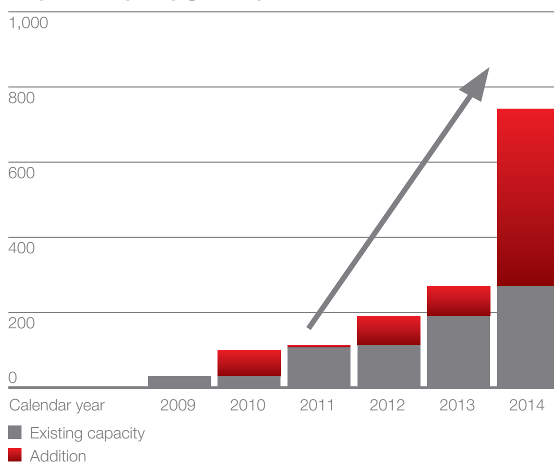
Current

77 MW Chennai I

Chennai I, a thermal coal plant, our flagship asset, is located at Gummidipoondi about 55 kilometers from Chennai. The site is well located to serve industrial customers and is close to the ports of Ennore and Chennai. The plant is 99% owned by the Group and has domestic coal linkage from Coal India Limited (CIL) against which it has been receiving 50% of its requirements, as committed by CIL, and the balance requirement is being imported.

The plant achieved an average PLF of 92% in 2011-12 and plant availability of 95%. From January 2012 the O&M is managed in-house (previously outsourced) and has achieved better performance in all key areas. The plant has established HR practices including capability development initiatives and employee involvement in knowledge sharing and training programmes, setting a standard for the Group.

Projected capacity growth profile MW



25.4 MW Mayavaram

This natural gas based plant is near Mayavaram in Tamil Nadu and from 1 December 2011 is held as an investment. Gas is supplied from the adjacent Cauvery Basin fields under a long-term supply agreement with Gas Authority of India Ltd. The success of this pilot plant has validated the effectiveness of the Group Captive power plant model. The plant supplies power to industrial customers and part of the output of this plant is being sold in short-term markets. The plant is 44% owned by the Group.

10 MW Waste Heat

The 10 MW waste heat recovery plant is located at Gummidipoondi, about 55 kilometers from Chennai. From 1 December 2011 it is held as an investment. The plant uses waste heat from the contiguous sponge iron facility of an associate, Kanishk Steel, and a blend of coal and dolochar which is a process residue in sponge iron production with residual calorific value. Owned 33% by the Group, the plant sells part of its output in short-term markets.

629 MW under development

Development

77 MW Chennai II

Chennai II plant is a brownfield expansion project and a replica of Chennai I. Construction of the plant is complete. The trials and commissioning phase commenced from June 2012. Similar to Chennai I the plant has domestic coal linkage from CIL against which it is expected to receive 50% of its requirements, as committed by CIL. The balance requirement is expected to be imported. Owned 99% by the Group, commercial operation of this plant is expected to commence from September 2012.

160 MW Chennai III

Originally configured as 2 x 80 MW unit, the plant has now been reconfigured to a single 160 MW unit which is expected to provide 10% fuel consumption savings and a lower turbine/boiler heat rate. In addition the reconfiguration allowed adequate space for another 80 MW plant. The plant located on the same site as Chennai I and II, has environmental approvals, debt and equity funding in place. Equipment orders are under way and the Company has issued a Letter of Intent for boiler, turbine and generator. Balance of Plant (BOP) deliveries are under way and construction has commenced. The project, owned 99% by the Group, is expected to commission in 2014.

80 MW Chennai IV

The project is an additional 80 MW brownfield expansion at the Chennai site. Equity funding for the project is from internal accruals and debt is under finalisation. Equipment delivery has commenced with c. 55% of materials received and construction work at the site is under way. 80% of the civil work, power house building and the chimney are complete. Boiler and coal handling plant erection are in progress. Approximately 65% of coal supply is expected to be through imported coal and for domestic supply coal linkage has been established with CIL. Commissioning is expected in Q2, 2013.

300 MW Gujarat

For these 2 x 150 MW modular plants, land, debt and equity are in place, environmental clearances have been received, boiler component delivery has commenced and EPC for BOP has been awarded. An air-cooled cooling process has been adopted as opposed to water cooling. Construction activity has commenced at site, boiler and chimney foundations are complete and 50% of the power house building has been completed. The project has 70% domestic coal linkage from CIL. Commercial operation is expected to commence in H2 2014.

12 MW Bellary

Located on a 120 acre brownfield site in the industrial heartland of Karnataka state, this project is expected to complete in 2014 and has the potential to develop into a 350 MW plant in the future.

MoU with Gujarat State Government

MoU signed with Gujarat State to develop 5,400 MW of generating capacity by 2018, with 4,000 MW thermal coal and 1,400 MW gas plants. The Government of Gujarat is to facilitate approvals. Initial progress relating to fuel transhipment facilities is being made.

Routes to market

Group Captive
- Bilateral arrangements with consumers/ traders/utilities
- Offering reliable, consistent power supply, even during peak periods
- Attractive prices relative to alternative tariffs

Merchant
- Sales with traders directly
- Flexibility and risks of spot pricing
- Returns dependent on available pricing
- Limited to one day future trading

Market Overview

OPG's growth prospects are firmly underpinned by the economic fundamentals for power demand in India. The Indian power industry in 2011–12 experienced pressures on several fronts some of which now seem to be easing. Nonetheless, with a persistent shortfall in new capacity additions, exacerbated power deficits, ranging from 9–13% and demand forecasts exceeding 300 GW by 2017, we believe the opportunity for supply of reliable power will prevail.

Macro situation in India showing signs of recovery

With the Government showing signs of favourable intervention fundamental changes have been stimulated, redefining a steady growth path to harness the industry's potential.

- Indian GDP registered an increase of 6.5% in FY12 and similar growth is expected in the current year
- Total 55 GW capacity installed during 11th Five Year Plan (2007–2012) and target of c. 90 GW by 2017
- Demand for power expected to grow at approximately 10% per annum until 2020
- After a marked increase in FY11, global thermal coal prices softened by over 15% during the year
- Following an escalation of 375 bps over 13 consecutive rises in interest rates to combat rising inflation, the Reserve Bank of India reduced interest rates by 50 bps
- Amended rules on External Commercial Borrowings may provide an improved opportunity

Tariff reforms offer respite

- Poor financial health of the State Electricity Boards ('SEB') principally on account of low tariffs for years leading to regulator intervention
- In FY12, 16 SEBs increased average tariffs up to 35%
- Tamil Nadu announced a notable hike of over 35% in power tariffs in FY13
- During the year, the Central Electricity Regulatory Commission indicated an upward movement in Merchant power tariff
- Fuel price adjustment mechanism being introduced

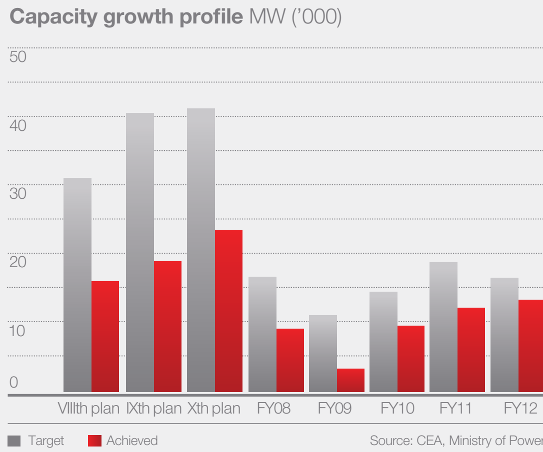
Domestic coal pressure

- Delays in development of new mines, on account of environmental approvals, may impact supply to new power plants and projects relying on captive coal blocks
- New domestic coal capacity being made available by expediting new mine build-out
- Coal India asked to increase fuel supply to 80% of linkage commitments in case of Independent Power Producers (as against 50% currently)
- Increased reliance on imported coal leading to higher prices and impact on profitability
- Thermal coal exempted from 5% import duty to ease supply pressures
- South Africa, Australia and newer destinations like Mozambique and Columbia being considered, besides Indonesia – the key source for India's present coal imports

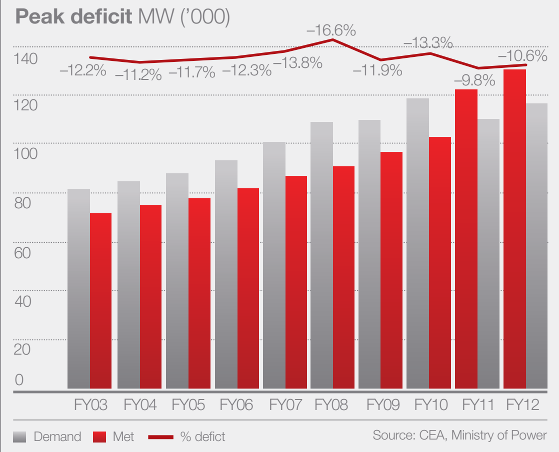
Business Opportunity

- OPG is one of the pioneers of the Group Captive model, supplying to a broad base of industrial and commercial customers
- The model provides flexibility to sell power either to Group Captive or Merchant consumers
- Improvement in profitability of SEBs, steered by tariff hikes, expected to improve Group Captive and Merchant power demand and tariffs
- Growing opportunity in Group Captive and Merchant power sectors as industrial and commercial consumers face power cuts and industries being subject to power holidays.

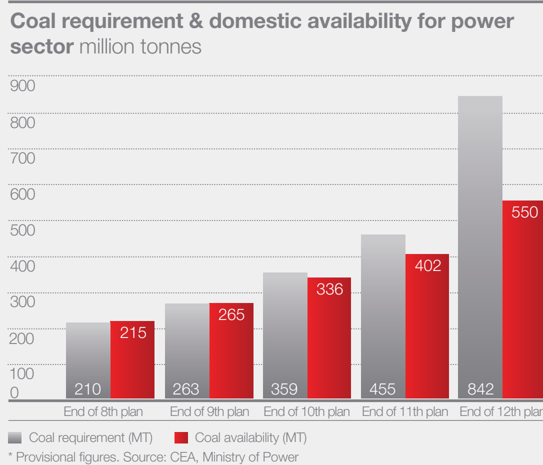
Dashboard



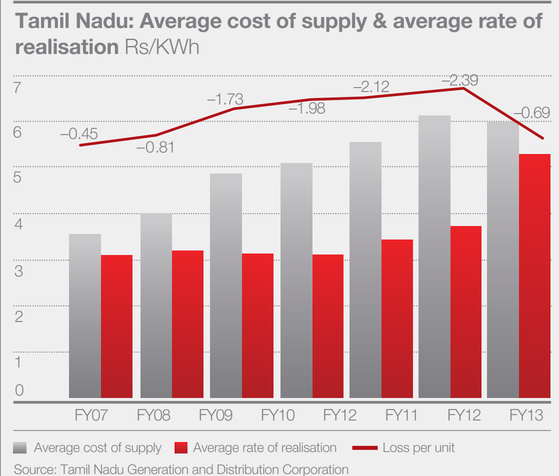
Annual capacity addition has been much less than the planned targets for the sector resulting in power deficits



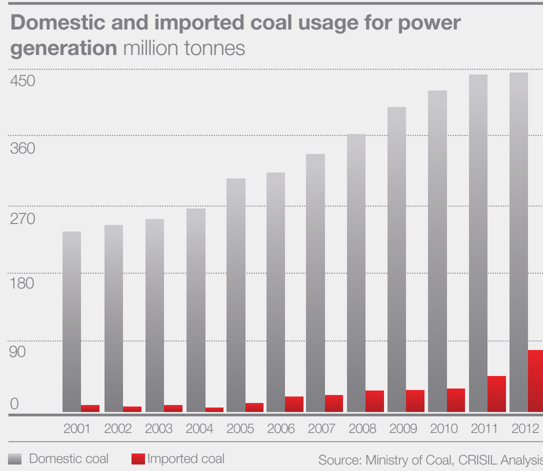
Power deficit continues to range between 9% and 13%, while at the same time increasing in absolute terms



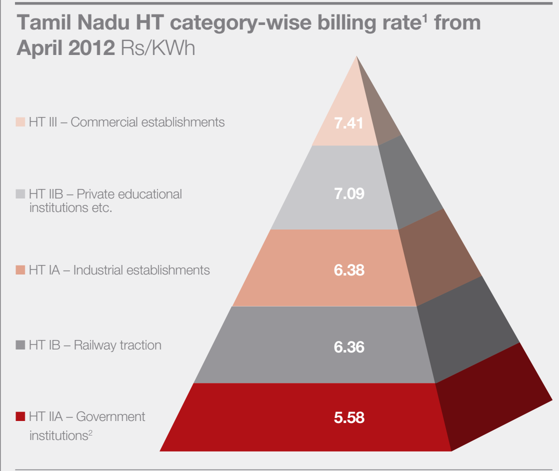
Over 32 thermal power stations remained critical with coal stocks for less than seven days on the last day of March 2012



Tamil Nadu announced a notable hike of over 35% in power tariffs in FY13



Over the past decade, power sector usage of domestic coal grew by 6% p.a. in volume compared to 24% p.a. for imports

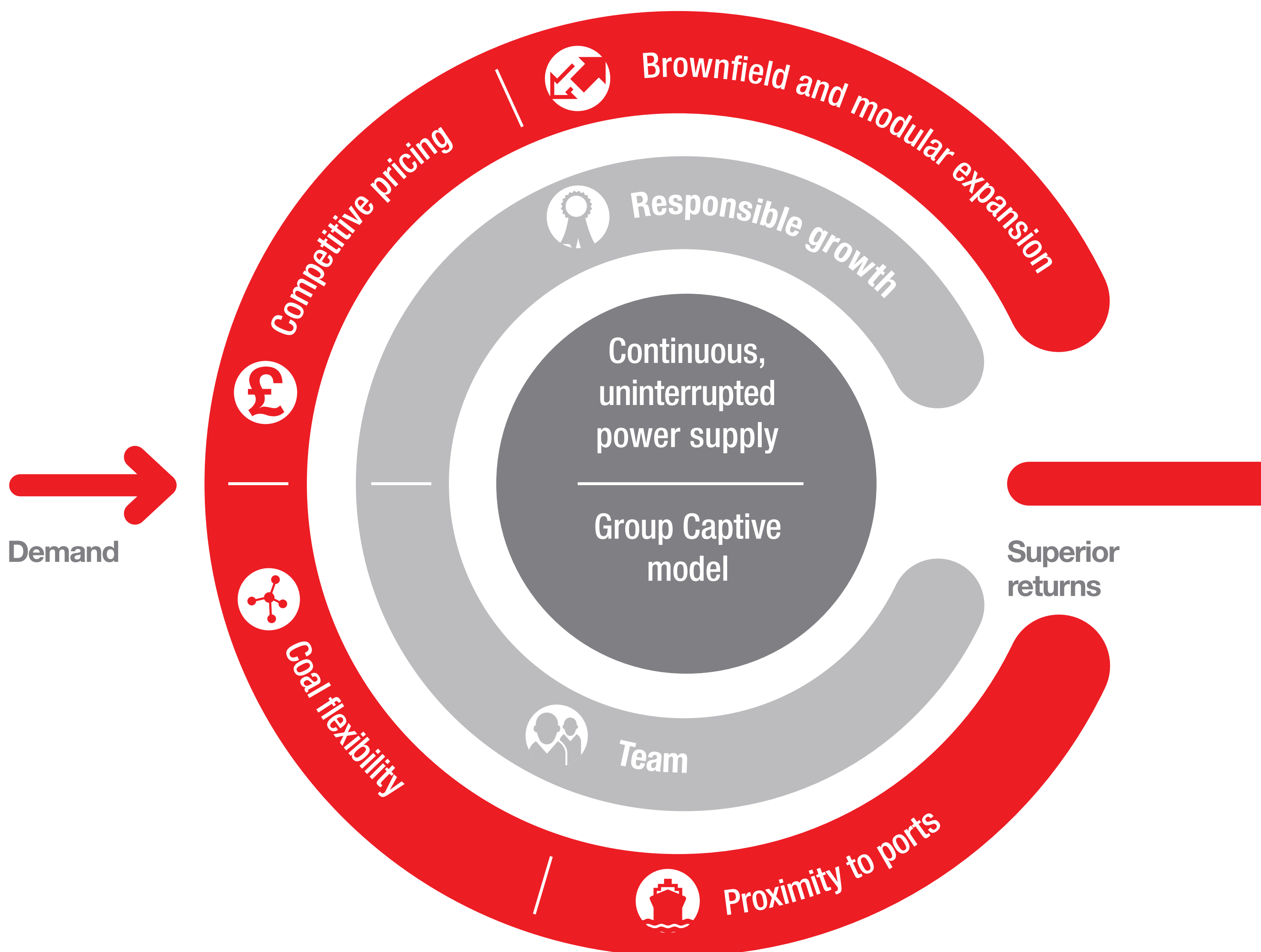


1 Excluding fuel price surcharge
2 Includes Government and Goverment aided institutions

Source: Tamil Nadu Generation and Distribution Corporation

Business Model

The Company aims to build shareholder value by being the first choice provider of reliable and uninterrupted power at competitive rates to its customers. Our strategy is to maximise the performance of existing generation assets and to continually de-risk our project portfolio.



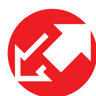
Our business model is driven by the shortage of reliable and continuous power in highly industrialised states of India.

Continuous, uninterrupted power supply

OPG's revenue model is to sell in the short-term market to industrial and commercial customers or state utilities. OPG, a source of continuous and uninterrupted power supply, provides an opportunity to meet the regular and peak power demands to its customers.

Competitive pricing

> Power is sold to industrial and commercial customers at an attractive price versus state utility tariff



Brownfield and modular expansion

> Expansion of capacity is executed by building modular sizes and choosing technology and equipment which reduces operational risks

> New projects and plants built on existing sites

Coal flexibility

> The boilers at our plants have been uniquely designed to burn coal sourced either domestically (India) or imported (Indonesia) and can be burnt singly or in any mix of the two. Coal with high moisture tends to be cheaper than that with less moisture

Proximity to ports

> Our principal plants and projects are located close to ports which allows us to obtain the domestic or imported coal with minimum land logistics.

Our business reflects our core values and us striving for excellence in management.

Responsible growth

> Seek to identify and maximise any brownfield development opportunities

> Evaluate and work with long-term, top tier financing, technical and consulting partners

> Ensure all environmental norms are met or exceeded

> Take cognisance of the needs of local communities

Team

> Promote a safe working environment

> Continually enhance our development skills through internal mobility of senior employees with project development experience

> Evolve reward structures to align with value creation

Superior returns

> Secure best available tariff through flexibility of supplying power under the Group Captive model

> Maintain ability to use domestic, imported and blended fuel sources of a broad range of specifications

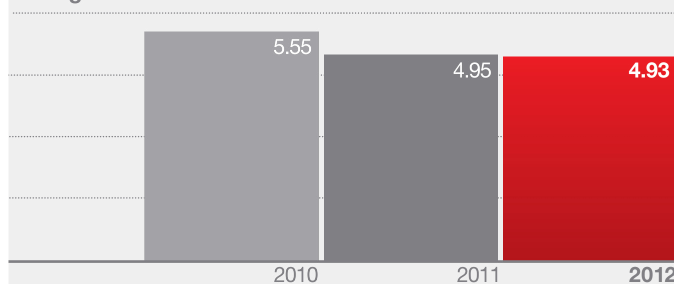
> Implement optimisation of generation assets and work with development partners to incorporate performance improvement measures in subsequent projects

> Minimise exposure to complex logistics

Key Performance Indicators

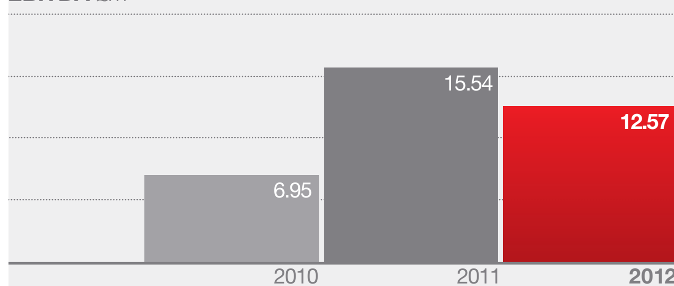
The Company aims to build shareholder value by being the first choice provider of reliable and uninterrupted power at competitive rates to its customers. Our strategy is to maximise the performance of existing generation assets and to continually de-risk our project portfolio.

Average tariff realisation Rs/KWh



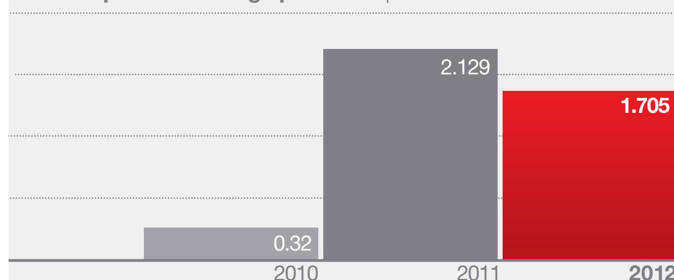
This is the average price realised per unit of power sold. Revenue for the Company is calculated by multiplying the number of units sold by the average price realised. The average tariff achieved for FY12 was Rs 4.93/KWh, amongst the highest in the sector.

EBITDA £m



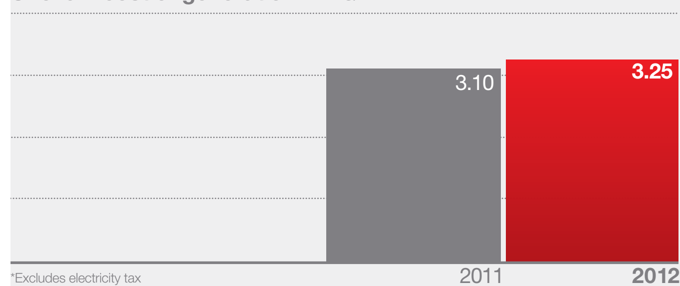
Earnings Before Interest, Taxes, Depreciation and Amortisation is a factor of volumes, prices and cost of production. This measure is calculated by adjusting non-operational and exceptional items, depreciation and net finance cost. It is a measure of the Company's operating profitability. EBITDA for FY12 was £12.5m.

Pre-exceptional earnings per share pence



This represents net profit after tax attributable to equity shareholders. EPS growth also demonstrates the management of our capital structure. In FY12, earnings per share was 1.705 pence.

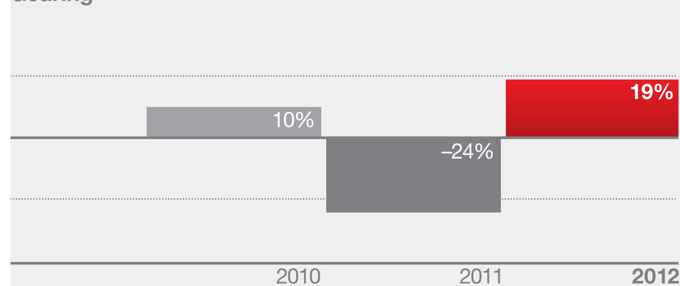
Chenai I cost of generation* – Rs/KWh



*Excludes electricity tax

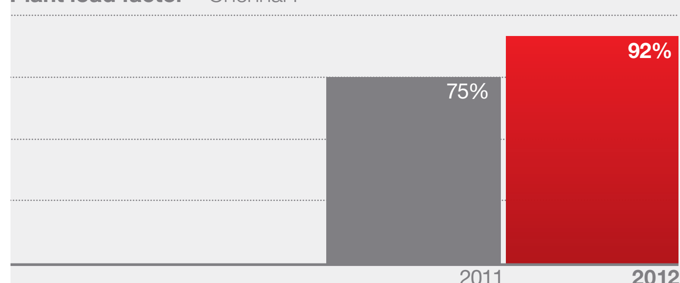
The cost of fuel is the primary cost input in power plants. 77 MW Chennai I cost per KWh increased marginally to Rs 3.25 (FY11: Rs 3.10) due to an increase in INR coal costs.

Gearing



Gearing is a measure of net debt to shareholders equity plus net debt. The Group has net debt of £31.59m (2011: net cash £29.64m) and gearing of 19% (2011: negative gearing of 24%). As development of projects proceeds, the gearing turns positive.

Plant load factor – Chennai I



Plant load factor measures the output of a power plant compared to the maximum output it could produce. A higher load factor represents a more efficient plant and means fixed costs are spread over more KWh of output resulting in a lower price per unit of electricity. Operationally, all plants performed well with average PLF of the 77 MW Chennai I plant at 92%.

Chairman's Statement

"The emphasis on accelerated development and delivery continues, both at Chennai and Gujarat, with this largely brownfield expansion portfolio being increasingly de-risked. In the light of what we see as structural and beneficial, changes taking place with regard to power sector pricing in the country, we are confident that the Group's differentiated and profitable business model will increasingly contribute to build superior shareholder value."

Building on our track record

We benefited during the year from a strong, full year contribution from the Chennai I (77 MW) plant as we forged ahead with our projects under construction.

View of Chennai I (right) and Chennai II (left)

I am pleased to report that in one of the most difficult trading environments the Indian power sector has witnessed since private sector participation began nearly 20 years ago, the Company has made considerable progress in advancing its projects and operations.

We achieved revenue of £45.3m compared with £33.1m in 2010–11 whilst pre-exceptional earnings per share was 1.705 pence. Our business model continues to achieve average tariffs ahead of our competition. This has delivered margins that are amongst the highest amongst independent Indian electricity generators.

There has been much talk of coal availability and the impact that a shortage could have on the operation and development of large, new plants. Our plants are smaller in scale and are designed to be flexible and profitable under a variety of operating conditions and using various quality fuels. Coal availability was not a problem for OPG as linkage commitments were met and other quantities were imported at comparable cost. We expect this to continue to be a distinguishing feature of our business in the long-term.

All our projects have progressed during the year. Specifically, we accelerated Chennai II which is to be commissioned shortly and announced the addition of another 80 MW unit, Chennai IV, which is also currently ahead of schedule. Our ability to fund internally the equity of this latest project reflects our focus on returns and cash generation. In due course we shall have approximately 400 MW of capacity at the Chennai site.

The year also saw progress at the 300 MW Gujarat project although the project has faced some local objections. I referred in my report last year to the constant testing of approval processes in a democratic country – environmental clearances for the Gujarat project were confirmed by the National Green Tribunal but nevertheless the Company has elected to go the extra mile by adopting air-cooled condensers. We believe this eliminates the basis for any of the claims that have been made against the project on environmental considerations.

OPG hopes to benefit from shortage in supply of reliable power in India. The 11th Five Year Plan has now ended and around two thirds of the anticipated capacity during that period was actually delivered. The demand outlook for power in India has its foundation in the Government's desired economic growth for the country of approximately 10% p.a. The year witnessed high interest rates and a weak currency against the US Dollar leading to bottlenecks in infrastructure financing and development, particularly for large projects, the sort that an emerging country such as India acutely needs to support anything close to its targeted growth level.

Whilst your Company has maintained its hallmark fuel flexibility it is encouraging to see the Indian Government responding to the country's shortage of domestic coal supplies. Our hope is that this focus will persist. Furthermore, there has been a centralised push to address the ailing health of some of the State Electricity Boards as part of reform of the sector. Tamil Nadu should be a beneficiary of this with tariff rises of over 35% and fuel surcharge introduced – we expect to see some benefit of this flow through to the Company. These events and trends suggest an improving marketplace for us to operate in compared with the poor conditions last year.

I would like to conclude by thanking the management and its dedicated team for their commitment during a difficult year. Progressing all projects and being profitable in this environment is no mean achievement. With our team's continuing enthusiasm, I remain confident of the Company's bright future.

M C Gupta
30 June 2012

Chief Executive's Statement

We are confident that OPG remains on track to achieve its target of over 700 MW of capacity. Our focus remains on maximising the performance of our assets and de-risking our projects.

Strong operational performance

Returns on our flagship asset prove the business model.

View of the Chennai site showing Chennai I and ongoing construction

The year ended 31 March 2012 has been characterised by strong operational performance of the Company's flagship asset and rapid de-risking of projects despite a challenging trading environment which is now beginning to show signs of recovery. I am pleased to provide a summary of our results and major operational events during the year as well as a discussion of our trading environment. Our focus remains on maximising the performance of our assets and de-risking our projects.

Returns on our flagship asset prove the business model

Revenue was up 37% to £45.25m and income from continuing operations before period expenses on projects, exceptional and non-cash items and tax was £9.6m. These figures reflect a reduced contribution during the period from the 26 MW and 10 MW legacy plants notwithstanding a strong showing from the Chennai I – 77 MW, in its first full year of operations, with revenues up 78%, a gross profit contribution of £12.56m and gross margin of 33%, similar to last year at 36%. Chennai I, for which we raised equity as part of our IPO in May 2008, has consistently delivered a load factor of 92% throughout the year. The pre-tax return on equity of this project during 2012 was just under 50%, making it one of the most profitable generation units in India. Our balance sheet has net debt of £31.59m at the year end representing a gearing of 19%.

Increased revenues compared with the prior year reflected the operation of Chennai I for the whole of the year. In addition, OPG demonstrated that its flexible Group captive model secures optimum market prices for the Company's power. Average tariffs achieved of Rs 4.93/KWh were similar to the prior year Rs 4.95/KWh and at the time of writing, following the regulated tariff changes announced in April 2012, the Tamil Nadu Electricity Board has filed an application with the state regulator which would enable them to purchase a large proportion of generation from our Chennai I and II at between Rs 5.30 and Rs 5.70/KWh from July 2012 onwards. Had the Company's model been to sell power on a typical long-term Power Purchase Agreement it would not have been in line to benefit from these much needed changes in the tariff structure.

Gross margins remained healthy at 33% and the fuel-flexibility of Chennai I in particular enabled us to maintain our load factors and gross margins in the wake of increased average international coal prices. The sharp appreciation of the US Dollar against the Indian Rupee exacerbated the effect of rising coal prices further in Rupee terms. Notably, capital equipment purchases are principally denominated in Indian Rupees and accordingly projects remained within budget although interest costs were higher than expected due to several increases in rates during the year. The translation and presentation of our results is also adversely affected by the circa 10% depreciation of the Rupee against Sterling during the year.

A fuller analysis of operating and profit performance, highlighting the strong contributions from Chennai I, is provided in the financial review.

Accelerated growth

At the time of writing, the 77 MW Chennai-II project, an accelerated replica of Chennai I, which has been connected to the infrastructure that it shares with its operational twin unit, is undergoing full scale early commissioning. In the space of a few weeks OPG should be a 190 MW generating company, compared to 20 MW at IPO just over four years ago.

We announced during the year that our use of the Company's Chennai site has been expanded by the combination of two 80 MW projects (now 160 MW Chennai III) making way for the development of a new 80 MW project on the same site (Chennai IV). Despite being a young company the profitability of our business model has enabled us to fund the equity for Chennai IV from internal cash flows and not revert to shareholders, thereby accelerating potential returns on capital.

Construction has progressed at our 300 MW Gujarat project site with boiler foundations nearly complete and progressive deliveries of equipment on site having commenced. Although the Company had obtained the necessary environmental approvals, these were challenged before the National Green Tribunal which upheld the clearances given. Notwithstanding this, the Company has now decided to further exceed requirements by adopting an air-cooled cooling process as opposed to water cooling. Accordingly neither the pipeline nor the inlet that had been the primary basis of

Chief Executive's Statement continued

the failed challenges will remain as part of the project development plan. Our legal advisers confirm that all approvals for moving to air-cooled cooling are in place and whilst our EPC contractors advise that commissioning is more likely to be by H2 2014 we are pleased to report that the project budget is not being modified.

Minority owned plants

It has been decided, on a comprehensive consideration of the matter, to deconsolidate from Group accounts, effective 1 December 2011, the results of the two minority owned, legacy plants (the 26 MW Mayavaram unit and the 10 MW Waste Heat unit). As we outlined at the time we released our interim results in December 2011, the performance and contributions from these minority owned plants is negligible and, in reaching this decision, we also took into account their business and earnings outlook, the increasingly marginal contributions from these assets in the light of the scaling up of the majority owned assets and, especially, the management time required to be invested in the running of these units.

Accordingly, a fair valuation of these assets as at 30 November 2011 by independent valuers, as required by the accounting standards, was undertaken and the resulting non-cash, non-operating adjustment of £4.82m to their carrying value as at that date, applicable to the Company, charged to period revenue. The declared results reflect this charge after taking into account the earnings from these units for the first eight months of the year.

Henceforth, the Group's interests in these units will be treated as investments at the adjusted carrying value of £1.38m. This compares with the original outlay by the Group of a modest £0.05m in these plants.

No problems with coal supply

OPG received all committed supplies of coal under Indian linkages supplemented by imported coal from Asia, largely under contract.

OPG's plants are engineered to work with either higher ash Indian coal or high moisture Indonesian coal or a blend of the two. Such design specification provides OPG with flexibility at times of either shortage in Indian coal supplies or increased prices of imported coal. Most other Indian power producers are reliant on obtaining coal either from the development of coal blocks allotted to them, which are currently substantially delayed, or entirely on imported coal. Moreover Chennai I uses a lower energy coal for which demand is typically not as high, and therefore prices not as elastic, as some of the higher quality Indonesian or Australian coals, thus enabling us to support our margins. Being located in proximity to the coast means we do not suffer inland transportation costs to the same degree as inland producers.

While international coal prices have softened in recent weeks we expect prices to trend upwards in the medium-term as coal supplies and demand fall more into line.

Macro case remains intact and the tariff environment is showing signs of improvement

Indian GDP registered an increase of 6.5% for the year to March 2012. Whilst less than the 7.5 to 8% growth rates of the previous two years, this is still an appreciable performance given the European debt issues and other problems of the world economy. The lower growth figures may be attributed in part to a tighter monetary and exchange policy stance with consequent increases in interest and exchange rates. There are indications that this policy is being relaxed and GDP growth expectations for the current year are 6.5%.

The 11th Five Year Plan period closed on 31 March 2012 with increase in power capacity of 55 GW, a near 70% achievement compared with the target of 78 GW. The persistent shortfall in new capacity additions has only exacerbated the prevailing power deficits, with peak deficits above 12%.

Against this need to rebalance demand and supply, state utilities, constituting the country's dominant power producers and distributors, have held their price lines for the sale of power virtually static in the last several years notwithstanding fuel availability and cost pressures that became especially acute last year. This affected margins for all private power producers and tempered the incentive to make large scale fresh investments in the sector.

There is now increased recognition on the part of the regulators and the utilities of the need to charge realistic prices for electricity. This recognition has already translated into a recent 35% increase in Tamil Nadu tariffs as well as in the imposition of a fuel price adjustment mechanism and the resolve to review tariffs annually. Similar exercises have either been concluded or have been taken up for review across the country.

Looking ahead, however, there are signs that the long awaited structural changes in the sector, primarily in the form of realistic tariffs and pricing by the utilities, are under way. Given the stretched financial position of the state utilities, the central regulator has directed state regulators to ensure that tariffs are reviewed annually. Several state utilities have already, in the last few weeks, filed applications with their state regulators for significant tariff increases.

Tariffs charged to industrial customers under the Group captive model are correlated to state utility rates and are therefore expected to rise along with the utility tariff increases.

Our business and our team are maturing

Over the last two years, OPG has strengthened its own in-house management capabilities. At the time of our IPO, we were a young company with a fleet of independent consultants and companies leading many aspects of our project implementation, development and operation. OPG now has 280 employees, many of whom carry out functions that were in the past out-sourced such as our new in-house EPC division that completes balance plant construction and our in-house Operations and Maintenance teams. Further we have now formalised our Health & Safety Environment Committee of the Board. We have also instituted a management Executive Committee and our initiatives to support and interact with communities in and around our projects are better organised. I look forward to our continued maturing and on behalf of the entire Board want to thank the entire OPG team and its associates for their continued enthusiasm and support.

Summary and outlook

Overall FY2012 saw OPG deliver earnings per share of 0.072 pence per share, on an enlarged equity base of 351 million ordinary shares and progressing all its projects in a challenging trading environment in which most of our peers incurred losses and deferred projects.

With the continuing maturing of our capacities, we are confident that OPG remains on track to achieve its target of over 700 MW of capacity. Now, with aspects of our trading environment showing signs of recovery and should these persist, we look forward to the forthcoming commissioning of Chennai II and the completion of construction of Chennai IV in the coming year, as these will be important milestones in establishing a stable, multi-asset revenue platform from which to deliver leading returns to shareholders.

Arvind Gupta
30 June 2012

Project commissioning schedule (MW)

Location	Capacity	Economic interest	Planning permission	Debt status	Equity funding status	Fuel/domestic linkage	Status
In development							
Chennai IV	80 MW	99%	✓	Under progress	Internal accruals	✓	Expected 2013
Chennai III	160 MW	99%	✓	✓	✓	Imported	Expected 2014
Gujarat	300 MW	99%	✓	✓	✓	70% Coal linkage obtained	Expected 2014
Bellary	12 MW	99%	To be obtained	Under progress	✓	Coal linkage to be obtained	Expected 2014

Maximising Opportunity

The Chennai site hosts four plants with a total capacity of 394 MW of which 77 MW is in operation and 317 MW under construction.

394 MW in operation and under construction in Chennai

Expansion of capacity is delivered by building modular plants. The revised configuration of Chennai III from 2 x 80 MW to 160 MW is expected to result in savings in coal consumption given the lower turbine/boiler heat rate for a 160 MW unit. At the same time, the reduced footprint of a 160 MW unit makes available space on site for the newly committed Chennai IV.

Chennai I, II and IV are replica plants with similar technology and equipment. All Chennai plants benefit from sharing land, certain infrastructure and other operational resources.

Continuous Supply

The Electricity Act 2003 opened up the power generation markets to private players under the Group captive model. OPG's power plants are set up under the Group captive model which allows the Group to supply directly to industrial and commercial customers on short-term contracts whilst the majority of the industry supplies to the State Electricity Board on long-term contracts.

India suffers from acute power shortages with industrial and commercial customers facing power cuts regularly. With this backdrop, hospitals face operational constraints and in the absence of any alternatives depend on diesel generated power which is very costly. OPG's model allows power supply directly to such customers through the state grid, generally at attractive prices, benefiting them on cost and being able to receive reliable and uninterrupted power.

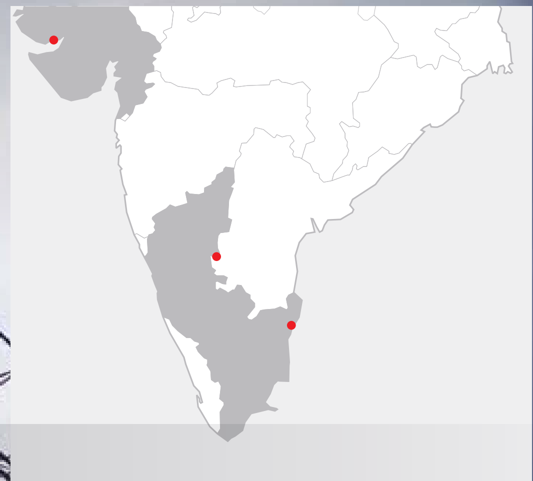
OPG's customers include hotels, hospitals, commercial companies and industries. We see this as a growing opportunity given the demand – supply gap in the sector.

Strategic Locations

Coal is the principal raw material for coal based thermal power plants and is obtained either from Indian coal blocks all of which are controlled by Coal India Limited a state owned company or imported from Indonesia, Australia or South Africa.

Transporting coal from the coal mines by truck or train can be expensive due to the distance and sometimes it is not possible due to inadequate transport infrastructure. OPG's principal plant sites have been chosen to be in close proximity to port e.g. Gujarat site is 30 kilometres from the port. This allows OPG to bring Indian coal and imported coal by sea to the nearest port – thereby reducing significant land logistics cost.

In addition, our boilers are designed to burn either domestic or imported coal or any mix of the two.



Second coal shed under construction – to be shared by Chennai III and IV

Operational Review

In 2012 the 77 MW Chennai I plant, commissioned during 2010, made a full year contribution to output. The plant proved its mettle, surpassing expectations in regard to performance parameters.

Increasing capacity

617 MW of projects under development at Chennai and Gujarat are all under active construction and due to be commissioned by FY2015

Gujarat boiler foundation work in progress

Production and output levels

Asset	Generation (Mn units)		Availability %		Plant load factor %	
	2012	2011	2012	2011	2012	2011
OPG Power Generation – Chennai (77 MW)[1]	647.6	329.3	95.1	83.8	92.2	75.3
OPG Renewable Energy – Chennai (10 MW)[2]	30.2	55.6	75.6	88.8	51.5	63.4
OPG Energy – Mayavaram (25.4 MW)[2]	88.2	128.1	97.2	91.5	59.3	81.3
Total	**766.0**	**513.0**				

1 Data relates to the full year.
2 2012 data relates to the first eight months of the year.

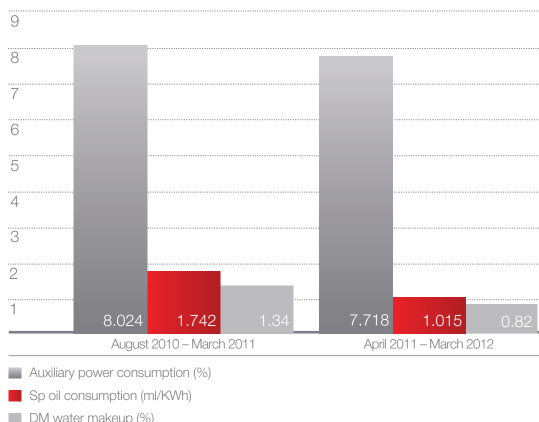
In 2012 the 77 MW Chennai I plant, commissioned during 2010, made a full year contribution to output. The plant proved its mettle, surpassing expectations in regard to performance parameters. The legacy units of 26 MW and 10 MW did not perform as well and, in fact, output levels at both of these units declined when compared to the previous year due to reduced gas and waste heat availability. The results of these legacy plants are included in the table for the eight month period up to 30 November 2011.

Chennai I – 77 MW

During the year, the Chennai I plant achieved a PLF of 92.2% and an availability of 95.1%. Chennai I is sustaining these high levels of performance in the current year too. The plant has exceeded expectations in the case of certain operating parameters for plants of this capacity such as auxiliary power consumption and make-up water requirements. The plant also achieved the lowest specific oil consumption (secondary fuel) in the month of April 2012 at 0.05 ml/KWh. The plant has achieved 100% utilisation of fly ash and bottom ash and no ash is stored in the dyke in the plant premises, thereby reducing land use.

The efficiency of the plant has improved over the months and has been maintaining at near optimum levels since December 2012. We are confident of maintaining these high levels of performance for the financial year 2013.

Chennai I – Improvement in consumption parameters



Development projects

We are currently developing additional capacity at the Chennai site of 317 MW through the following projects:

Chennai II

The project is under trials and commissioning from June 2012. The project is on track to commence commercial operation from September 2012.

Chennai III

Letters of Intent are in place for boiler and steam turbine generator. Balance of Plant equipment has been ordered. The power transmission facility for the evacuation of power is already installed. The plant is expected to commission in Q3 2014.

Chennai IV

The 80 MW Chennai IV is in an advanced stage of construction. The major supplies have been received and installation of equipment is under way. The turbine is due for mechanical run test ('MRT') in BHEL (manufacturer) works in early July 2012 and thereafter will be despatched to project site for installation work. The power transmission facility for evacuation of power is in place. The plant is expected to commission Q2 of 2013.

Gujarat

The Gujarat 2 x 150 MW project has received all clearances. Construction activities have commenced at the project site with major equipment foundations completed and ready for installation of equipment. Equipment supplies have commenced from the BTG supplier, BHEL. The project is expected to be commissioned in H2 2014 following the move to air-cooled condensers in place of water cooling.

Bellary

During the year OPG acquired a partially constructed 12 MW thermal power plant in the industrial area of Bellary, Karnataka. The plant is on a 120 acre site and has the potential to expand/build up to 350 MW of capacity.

Principal Risks

The Group faces a number of risks to its business and strategy. Management of these risks is an integral part of the management of the Group. The Group has in place a process for identifying and managing risks.

The list of principal risks and uncertainties facing the Group's business set out below cannot be exhaustive because of the very nature of risk. New risks emerge and the severity and probability associated with these change over time.

Sector-related risks

Risk	Potential impact	Monitoring and mitigation
Power sale in the Group captive model	The Group's power plants derive their revenue from the Group captive model selling power to captive consumers and partly from sale on short-term, medium-term, or long-term sale basis and would, for this purpose, enter into power purchase agreements with counterparties such as captive consumers, power trading companies and state utilities. Contracts with customers may impose restrictions on the Company's ability to, amongst other things, increase prices at short notice and undertake expansion initiatives with other customers. This could affect the revenue in the short to medium-term.	– Review contracts periodically to obtain best possible tariffs – Flexibility to sell to captive consumers or in the open market – Benchmarking captive consumer prices to state utility prices to benefit from any price increases
Availability of fuel supply and costs	The Group has coal linkages with domestic companies and agreements for imported coal. The dependence on third parties for coal exposes the Group's power plants to vulnerabilities such as non-supply, price increases in the international market, foreign exchange fluctuations and increases in shipping costs. This could impact the operations and profitability of the Group.	– Seeking long-term supplies – Maintaining adequate storage facility to keep appropriate levels of surplus stocks – Maintaining relationship with suppliers and mitigating any potential disruption – Developing different sources for fuel supply especially in the imports market
Timely execution of projects	The length of the construction period and the cost to complete any given project is dependent on third party suppliers and EPC contractors. Factors such as disputes with contractors, price increases, and shortages of construction materials, delays in supply from various contractors, accidents, unforeseen difficulties, changes in government policies and delays in receipt of necessary approvals can lead to cost over-runs and delays impacting the timely completion and ultimately the profitability of projects.	– Close monitoring of projects by the project team and addressing issues causing delays – Ordering key equipment and long lead items ahead of schedule – Including liquidated damages clauses in its contracts in relation to such matters as delays and inferior workmanship
Funding of projects	The development of power plants is a capital intensive business and the Group's projects require access to both equity and debt markets. Delay in raising finance or the terms of debt funding could affect the timely completion and cost of its projects and servicing of debt.	– Assessing financial viability of projects – Financing projects with an optimum mix of debt and equity including internal accruals – Obtaining in-principle project finance from banks before commencement of projects – Monitoring cash flows to ensure repayment of debt and interest in line with schedule

Sector-related risks continued

Risk	Potential impact	Monitoring and mitigation
Health, safety and environmental and local stakeholder management	The Group's plants are located in different states and in areas where there is adequate land to set up projects, water availability and connectivity to ports. Setting up power projects in such areas may affect the environment and health and safety. Changes in legislation and standards, the Group's failure to control adequately environmental and health and safety risks or activism by local groups could have an adverse impact on the operations of the Company.	– The Group has management systems to monitor the health, safety and environmental aspects of business. These are communicated to the relevant businesses and employees with training provided on a regular basis – Setting up a formal committee responsible for health, safety and environmental issues at Board level is under consideration – The Group proactively engages with local stakeholders prior to and during project commissioning to address concerns – Working with local communities and implementing sustainable programmes to aid the development of these communities

India-specific risks

Risk	Potential impact	Monitoring and mitigation
Government policy and regulations	The power industry is heavily regulated with permits and licences issued by the Indian Government. Further, the regulatory environment is continuously changing. Obtaining these licences is critical to the Group's development plans. Failure or delays in receiving permits or approvals could have an adverse impact on projects and affect the profitability of the Group.	– The Group monitors and reviews changes in the regulatory environment and its commitments under licences previously granted – It continually ensures compliance with the conditions contained within individual licences and is mindful of the importance of complying with national and local legislation and standards – The Group maintains an open and proactive relationship with the Indian Government and its various agencies
Ability to retain fiscal and tax incentives	The Group's existing and planned power plants are based on the various fiscal and tax benefits that will be available to the Company by the federal and state government. A change in government policy to withdraw these incentives can have an adverse impact on the profitability of the Group.	– The Group continues to monitor changes and developments in respect of incentives provided by the Indian federal and state authorities – Project investment returns are evaluated based on the expected incentives available to the Company and are revised based on the most up to date guidance available
Exchange rate fluctuations	As a consequence of the international nature of its business, the Company is exposed to risks associated with changes in foreign currency exchange rates. The Group's operations are based in India and its functional currency is the Indian Rupee although the presentational currency is Great Britain Pound Sterling. The Group's financial results may be affected by appreciation or depreciation of the value of the foreign exchange rates relative to the Indian Rupee.	– Putting in place, where appropriate, forward contracts or hedging mechanisms – Monitoring our risk on a regular basis where no hedging mechanism is in place and taking steps to minimise potential losses
Global financial instability	The Indian market and Indian economy are influenced by global economic and market conditions, particularly emerging market countries in Asia. Financial instability in recent years has inevitably affected the Indian economy. Continuing uncertainty and concerns about contagion in the wake of the financial crises could have a negative impact on the availability of funding.	– The Group continues to monitor changes and developments in the global markets to assess the impact on its financing plans

Financial Review

The following is a commentary on Group financial performance in the year, highlighting the key financial drivers and performance indicators and financial metrics.

Income statement

Year ended 31 March	2012	2011	Change
	£m	£m	%
Revenue	45.25	33.15	37%
EBITDA	12.57	15.54	(19%)
Net finance costs	2.02	1.32	53%
Income from continuing operations (before tax non-operational and/or exceptional items)	9.59	13.01	(26%)
Expenditure during the period on expansion projects	0.63	0.40	58%
Employee stock option charge	1.45	1.45	0%
Electricity consumption tax relating to prior years	0.43	–	
Impact on account of loss of control	4.82	–	
Profit before tax	2.26	11.16	(80%)
Taxation	2.04	2.41	(15%)
Profit after tax	**0.22**	**8.75**	**(98%)**

Revenue

OPG revenue has increased by £12.1 million, reflecting a 37% growth year on year, primarily from a full year contribution by the 77 MW plant, partially offset by inclusion of only eight months results for the 26 MW and 10 MW plant.

Production and output levels from the Group's operating power plants compared to the prior year were as follows:

Asset	Generation (Mn units)		Availability %		Plant load factor %	
	2012	2011	2012	2011	2012	2011
OPG Power Generation – Chennai (77 MW)[1]	647.6	329.3	95.1	83.8	92.2	75.3
OPG Renewable Energy – Chennai (10 MW)[2]	30.2	55.6	75.6	88.8	51.5	63.4
OPG Energy – Mayavaram (25.4 MW)[2]	88.2	128.1	97.2	91.5	59.3	81.3
Total	**766.0**	**513.0**				

1 Data relates to the full year.
2 2012 data relates to the first eight months of the year.

Gross profit

Gross profit in 2012 was £14.83m (2011: £14.48m). Gross profit is driven mainly on account of the full year operation of the 77 MW plant and to an extent offset by the inclusion of only eight months results from the 10 and 26 MW plants. Reconciliation of gross profit given below:

Particulars	£m
Gross profit in 2012[1]	14.83
Gross profit in 2011	14.48
Increase in gross profit	**0.35**
Reduced: on account of reduction compared to 2011 in four months for 25 MW plant and 10 MW plant (compared to previous years)	(1.74)
Reduced: on account of low PLF and increase in fuel gas cost and consumption in 25 MW and 10 MW for eight months	(1.66)
Increased: on account of increase in generation in 77 MW and net of lower selling price at Rs 3.80 (against Rs 5.05/KWh) for a period of four months	4.77
Reduced: effect of incremental inter Group elimination (2012)	(1.02)
Increase in gross profit	**0.35**

1 Excluding electricity consumption tax of £0.93m.

Gross profit margins: plant wise contribution

The gross profit contributions of the three operating plants of the Group are presented below:

£m	OPGPG 77 MW		OPGE 26 MW		OPGRE 10 MW		Inter Co., Elimination		Total	
	2012	2011	2012	2011	2012	2011	2012	2011	2012	2011
Revenue	38.48	21.58	5.03	8.19	1.74	3.37			45.25	33.15
Cost of revenue[1]	25.92	13.87	2.89	3.99	2.07	2.29	(0.46)	(1.48)	30.42	18.67
Gross profit	12.56	7.71	2.14	4.20	(0.33)	1.08			14.83	14.48
Gross profit %	33%	36%	43%	51%	(19%)	32%			33%	44%

1 Excluding electricity consumption tax of £0.93m.

Gross profit contribution from the 77 MW plant was strong in the year under report. The gross profit margins of the plant at 33% were only marginally lower (2011: 36%) due to the ability to blend (64:36) high moisture Indonesian coal with Indian coal the average prices of the latter being lower (note 1 below). However gross profit margins at the 26 MW plant were eroded to 43% (2011: 51%) due to higher gas prices. Due to non-availability of suitable iron ore during the year, resulting in poor waste heat, the gross profit margins of the 10 MW plant turned negative.

A lower selling price of Rs 3.80/KWh paid by the state utility for June to September 2011 (a claim for higher, agreed pricing of Rs 5.05 is being pursued). The effect of this on gross profit is also shown plant wise (note 2 below).

Note 1

	2012	% use	Weighted average cost for 2011–12	2011
	Rs/MT		Rs/MT	
Indonesian coal – average factory gate price	3,940	64%	2,522	3,285
Indian coal – average factory gate price	2,331	36%	839	
Total			3,361	3,285

Financial Review continued

Note 2

Particulars	OPGPG	OPGE	OPGRE	£m
	£m	£m	£m	Total
Effect in gross profit on account of lower selling price from state utility for four months	2.116	0.232	0.112	2.460

EBITDA

Earnings Before Interest, Taxation, Depreciation and Amortisation ('EBITDA') is a measure of a business cash generation from operations before depreciation, interest and exceptional and non-standard or non-operational items such as the annual charge for stock options which is a non-cash item or expenses relating to projects under construction. This is reconciled with profit after tax as follows:

Year ended 31 March	2012	2011	Change
	£m	£m	%
Profit after tax	0.22	8.75	(98%)
Tax	2.04	2.41	(15%)
Impact on loss of control	4.82	0	
Depreciation	1.40	1.21	15%
ESOP expenses	1.45	1.45	0%
Period expenses on projects under development	0.63	0.40	58%
Net finance cost	2.02	1.32	53%
Total	12.57	15.54	(19%)

Note: Prepayment of Chennai I 77 MW debt for the year 2012 was £4.43m.

Profit before tax

£m	OPGPG	OPGE	OPGRE	Non-operating entities[1] (net of inter Group eliminations)	Total
PBT – FY2011–12	7.55	1.01	(0.55)	(5.75)	2.26
PBT – FY2010–11	7.79	3.99	0.83	(1.45)	11.16
Decrease in PBT	(0.24)	(2.98)	(1.38)	(4.30)	(8.90)
Impact on deconsolidation of subsidiaries					(4.82)
Electricity consumption tax (prudential provision)					(0.92)
Decrease in administration and selling expenses					0.08
Decrease in other income					(2.90)
Increase in net finance cost					(0.70)
Increase in gross profit					0.35
Total					(8.90)

1 Includes: a) OPG Power Gujarat Pvt Ltd, India b) Gita Power & Infrastructure Pvt Ltd, India c) Caromia Holdings Ltd, Cyprus d) Gita Energy Pvt Ltd, Cyprus e) Gita Holdings Pvt Ltd, Cyprus f) OPG Power Ventures Plc, Isle of Man.

Taxation

The Group consolidated PBT at £2.26m is after charging £4.82m towards adjustment in the carrying value of the legacy plants and £1.45m towards amortisation of employee stock options (both being non-cash charges at the level of holding company). As such the effective PBT subject to tax is £8.53m.

Expenditure on projects

This relates to expenses incidental to projects under construction. These expenses in 2012 were £0.63m in (2011: £0.40m).

Employee stock option charge

This pertains to the amortisation of the value of stock options granted to certain Directors and is non-cash in nature.

Charge relating to deconsolidation of subsidiaries

During the year both the 10 MW and 26 MW plants were consolidated only for a period of the first eight months of the year, and were subsequently deconsolidated with effect from 1 December 2011. An independent fair valuation of these plants has been carried out and accordingly an amount of £4.82m has been charged to the statement of comprehensive income in the current year.

Profits after tax

Profits after tax have decreased by £8.53m representing a 98% decline, from £8.75m in 2011 to £0.22m in 2012. Basic earnings per share of 0.072 pence in 2012 has decreased by 97% over 2011.

Property, plant and equipment

Property, plant and equipment has increased by £19.03m, 25.71% year-on-year growth, mainly reflecting the increase in capital work in progress on account of additional power plants in Chennai and Gujarat and despite the deconsolidation of the 10 MW and 26 MW power plants.

Other non-current assets

Other non-current assets have decreased by £5.12m by 62% year-on-year primarily as a result of the deconsolidation of the 26 MW and 10 MW power plants.

Current assets

Current assets have decreased by £14.7m to £117.4m year-on-year primarily as a result of the following:

a) Reduction in the cash and cash equivalents by £33.23m due to the increase in investment in the Gujarat and additional Chennai power plants, and also due to the deconsolidation of the 10 MW and 26 MW.
b) Increase in trade receivables by £8.83m increase in other assets by £7.35m.

Current liabilities

Current liabilities have increased by £7.04m primarily on account of the increased bank borrowings and buyers credit.

Other non-current liabilities

Other non-current liabilities have increased by £11.42m primarily on account of increase in bank borrowing to meet the capital project expenses.

Cash flows

	2012	2011
	£m	£m
Operating cash	12.23	15.15
Tax paid	(0.53)	(1.97)
Change in working capital assets and liabilities	(7.59)	(9.43)
Purchase of property, plant and equipment (net of disposals)	(71.35)	(19.76)
Other investments	2.59	1.41
Net cash used in investing activities	(68.77)	(18.35)
Net interest paid	(4.82)	(2.65)
Free cash flow	(69.47)	(17.25)
Equity private placement	–	57.38
Total cash change before net borrowings	(69.47)	40.14

Operating cash flow decreased from £15.15m in 2011 to £12.23m in 2012, a decrease of £2.92m, or 19%. The decrease is primarily due to the reduced profit before tax.

Responsible Growth

The Company takes seriously its responsibilities to the environment and the communities in which the Group operates. We believe that these responsibilities can have a positive impact on shareholder returns as well as on our reputation and growth prospects.

Corporate Social Responsibility

During the year, OPG planted 2,000 saplings with tree guards within the Chennai premises

Tree Guards to protect our saplings

Health and safety

The Board is committed to ensuring that the Group's activities do not result in injury or illness to any employee, contractor or member of the public and strives hard to prevent work-related incidents, illnesses and injuries.

All operating units must comply with our health and safety policies in addition to meeting requirements specific to their businesses as well as customers' expectations. Specifically, the Group aims to obtain OHSAS 18001 certification for the Chennai plant in the near future. The Board is committed to ensuring that these principles are articulated to all employees and that they are effectively implemented.

Safety policy is implemented at all project sites and operating plants by identifying potential risk areas and taking appropriate steps to mitigate them. These measures include a programme of training for staff and contractors, regular safety meetings and a process to encourage employees to raise their concerns and make suggestions for improving workplace safety.

Environment

The Group's operations strive to achieve continuous improvements in environmental performance and seek to prevent, mitigate, reduce or offset the environmental impact of our activities. The Board continues to monitor the level of environmental incidents and workplace accidents.

Going Green

OPG's comprehensive Environmental Management Systems (EMS) initiatives continued at a renewed pace during 2011–2012. In addition to a solid waste reduction and management system implementation, the Company has initiated processes and systems for getting the following certifications for the Chennai site:

1. Indian Organization For Standards (ISO 14001)
2. Occupational Health and Safety Assessment OHSAS 18001
3. Indian Green Building Certification (IGBC)

During the year, OPG also joined hands with the District Forest Office in planting 2,000 saplings with tree guards within the Chennai premises. Our dedicated staff continues to nurture and care for these trees on a continual basis.

We understand that our approach to addressing the issue of global warming and reducing carbon emissions is important to the Group's future competitiveness. The Group has therefore registered under the United Nations Framework Convention on Climate Change and is awaiting the validation and verification of the Carbon Emissions Reduction registration for the Mayavaram gas plant and the Voluntary Emissions Reductions registration for the 10 MW waste heat plant.

Our people

Employee consultation

The Group places considerable value on keeping employees informed on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through informal meetings and presentations on new developments both within the Company and the wider industry. The Group is committed to providing equal opportunities and opposes all forms of unfair or unlawful discrimination. Employees will not be discriminated against because of race, colour, nationality, ethnic origin, disability, sex or sexual orientation, marital status or age.

All employees are encouraged to raise genuine concerns about possible improprieties in the conduct of our business, whether in matters of financial reporting or other malpractices, at the earliest opportunity and in an appropriate way.

Disabled persons

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

Training and development

Employing the right people and encouraging the continuous development of the skills of our employees is critical to developing a successful business. During the last year, not only were our power generation plants managed by the Company but day-to-day operational responsibility, which had in previous years been delegated to Tata Power, has been taken over by an experienced in-house team built specifically for this purpose and trained in best practices by Tata Power. Thus, at the sites there has been a vast difference from the previous years in that the full operation, maintenance and project execution is being undertaken by OPG employees, whereas, earlier there were relatively few OPG employees on site and the majority of staff were employed and supervised by Tata Power. This organisational shift is a key step in the development of the Group and is a strong indicator that the Group is maturing with regards to staff training and health and safety responsibility and implementation.

Responsible Growth continued

Each of our businesses maintains an accident reporting system. These systems are used to identify trends with a view to developing strategies for reducing the number of reportable as well as non-reportable accidents and near misses.

Supply chain

The Group works with a team of industry-leading suppliers and contractors in order to mitigate the risk in the event of there being a product delay or a supplier failing. The Board recognises the particular risks posed to its supply chain by the prevailing global economic conditions and the potential impact should key suppliers fail. To mitigate these impacts, the Group monitors suppliers' business continuity issues, providing such practical support and advice as may be appropriate.

The Company's power generation plants are fuelled by coal sourced from India but also from imported coal from Indonesia. Availability of supplies is therefore less of an issue than prices, which can fluctuate in line with world market forces of supply and demand.

Community

The Group recognises the importance of engaging with the communities in which it operates. It encourages operating units to develop their own corporate social involvement plans in consultation with stakeholders in order to identify programmes with tangible and sustainable community benefits in line with our corporate social involvement policy.

Educational aid

OPG has continued to provide educational assistance in the local area near our power plants. During June 2011, fifteen school children at Kayalarmedu village were offered full year scholarships. 600 children belonging to the villages Periya Obulapuram, Chinna Obulapuram and Kayalarmedu received school supplies for the entire year before the commencement of the school year. In Bhadreshwar, near the Kutch site, OPG provided to all students of Bhadreshwar High School supplies including uniforms, stationery and sports equipment.

School children receive books

Our team of civil engineers assisted in developing the infrastructure facilities in these schools. They designed and constructed a compound wall for the school at Sirupuzhal pattai village and it stands today to provide a safe and secure school premises to the children attending there.

OPG also partnered with non-governmental organisations during the year to reach out to the educational needs of children in neighbouring districts. One of our key involvements is with Duraimurugan Educational Trust, which strives to keep children in school in spite of the economic crisis faced by their families.

Flood relief

OPG working with the local government bodies provided basic provisions to the local populations after the floods of November 2011. We donated food supplies such as rice to the villagers of the flood affected regions of Chinna Obulapuram and essential clothing in the form of sarees and dhoties to 350 villagers of Papankuppam and Kayalarmedu.

OPG outreach

We are proud to report that OPG Outreach, launched in July 2011 near our Kutch site, has completed one successful year. During this year, 120 women have completed the training programme and 32 women have started working and making products, which are being purchased by our collaborator, Welspun. The additional income from this has greatly augmented the monthly household income of these families. OPG has provided the entire infrastructure for the training programme and the work centre including equipment, utilities and supplies. Going forward, we expect more women to enrol in the training programme and to eventually start work at the work centre, both of which will empower the local women and contribute greatly to the socio-economic development of the surrounding community and families.

Jivan Prabhat

Board of Directors

Mr Munish C Gupta
Non-executive Chairman

Mr Munish C Gupta is a retired senior civil servant of the Indian Administrative Service, the premier civil service of India. During his service, Mr Gupta held a number of senior appointments, notably those of Secretary, Ministry of Industry, Government of India and Chief Secretary to the Government of Haryana state. As Secretary to the Ministry of Industry, Mr Gupta was one of the civil service officers responsible for initiating and implementing the process of economic reforms which began in the 1990s in India and which continue to this day.

Mr Gupta serves on the boards of a number of public companies in India including Bhansali Engineering Polymers Ltd and Lumax Industries Ltd as an independent director. Mr Gupta is not related to either Arvind or Ravi Gupta.

Mr Arvind Gupta
Managing Director and Chief Executive Officer

Mr Arvind Gupta graduated with a degree in Commerce at the University of Madras and joined the OPG family business, OPG Enterprises, in 1979. Mr Gupta gained experience in various divisions of the business including flour milling, steel production and logistics, becoming President of Kanishk Steel, listed on the Bombay Stock Exchange. Having identified the opportunities in power generation, Mr Gupta developed this division within Kanishk Steel with initial projects in wind power generation in 1994. He was the pioneer of the Group captive power producer concept in Tamil Nadu state and developed the 18 MW gas fired plant of OPG Energy, a Group entity, through to successful operation in 2004.

Since then, Mr Gupta has been responsible for the construction and development of the power plants of the OPG Group as well as its overall strategy, growth and direction.

Mr V Narayan Swami
Finance Director

Mr V Narayan Swami has over 30 years' experience of finance and management. Mr Swami started his career with the State Bank of India before moving to Ashok Leyland Limited in 1976. For 10 years until 1992, he held a variety of positions within Standard Chartered Bank including as Senior Manager, Corporate Division for Southern India. Later Mr Swami joined Essar Global, subsequently becoming CFO of Essar Telecom Group where he played a key role in the entry and planned exit of Swisscom from the venture along with the simultaneous investment by Hutchinson Whampoa.

Mr Swami was Group CFO and Director of Best & Crompton Engineering, listed on the Bombay Stock Exchange, before joining the Group in 2007 as Finance Director.

Mr Martin Gatto
Senior Independent Non-executive Director
Mr Martin Gatto has considerable experience as a senior financial professional and has worked at a number of large UK quoted public companies. During his career, Mr Gatto gained international experience at Hilton International Company where he was responsible for business development and property. Later, as Chief Financial Officer of British Energy plc, Midlands Electricity plc and Somerfield plc, he was responsible for the successful execution of turnaround strategies. Until recently, Mr Gatto was Non-executive Chairman of Neutrahealth plc, an AIM-listed company. He is also Chairman of Medico-Dental Holdings Limited.

He is a graduate of Brunel University and is a Fellow of the Chartered Institute of Management Accountants.

Mr P Michael Grasby
Independent Non-executive Director
Mr P Michael Grasby is a Chartered Engineer and has been associated with the UK and international power industry for many years. He was manager of the Drax Power Station between 1991 and 1995 and Director of Operations for National Power, with responsibilities for over 16,000 MW of generating capacity, until 1998. Following the demerger of National Power in 1999, he joined International Power as Senior Vice-President for global operations and retired in 2002.

Mr Grasby has held power company directorships in the Czech Republic, Portugal, Turkey and Pakistan. Mr Grasby was formerly a Non-executive Director of Drax plc until April 2011 where he chaired the Health and Safety Committee and sat on the Audit, Remuneration and Nominations Committees.

Mr Ravi Gupta
Non-executive Director
Mr Ravi Gupta is the brother of Mr Arvind Gupta and throughout his career has been involved with family businesses. He is one of the founders of Kanishk Steel and is Chairman of that company. Mr Gupta has also been associated with the flour milling industry, setting up a new flour mill in 1988 in Tamil Nadu state, Salem Food Products Limited, where he is Managing Director.

Corporate Governance

M C Gupta
Non-executive Chairman

Introduction

The Board is committed to good corporate governance practices. The Company was admitted to trading on AIM in May 2008. Accordingly, compliance with the governance framework contained in the UK Corporate Governance Code published by the Financial Reporting Council (the 'Code') is not mandatory. Nevertheless, the Company remains committed to high standards of corporate governance and endeavours to comply with the Code to the extent practicable for a public company of its size.

This report describes how the Company has applied, or how it intends to apply, the principles set out in the Code.

Compliance with the code

Since admission to AIM, the Board had taken a number of steps to comply with the Code with the longer term objective of achieving full compliance in all material respects. The Board continues to make progress in this regard and is continuing to develop the following initiatives:

1. Schedule of matters reserved (A.1.1)

The Board has agreed to formalise in due course a schedule of matters specifically reserved to it for decision. At present, the Board reviews and adopts the Group's strategy, plan and key risks, policies and procedures. During the current year an Executive Committee ('ExCo') of management was established to support the Board in implementing strategy and it is the Exco's responsibility to report relevant matters arising in the ExCo to the Board for its consideration and approval.

2. Division of responsibilities (A.2.1)

As explained in greater detail below, there is a clear separation between the roles and responsibilities of the Chairman and Chief Executive Officer. The Code requires that this be set out in writing and agreed by the Board and this is to be done in due course.

3. Non-executive Directors (A.4.2)

The Board takes note of the requirements under the Code that the Chairman holds formal meetings with the Non-executive Directors without the executives present and this is to be commenced going forward. Further, the Code requires the Non-executive Directors to meet without the Chairman to appraise the Chairman's performance, a process which at this stage of the Company's development the Board believes is early to adopt.

4. Nominations Committee (B.2.1)

The Board will at an appropriate time establish a Nominations Committee and is finalising its terms of reference. It will meet as and when required, its primary function being to provide a formal and transparent procedure for the appointment of new Directors to the Board and to advise generally on issues relating to Board composition and balance. In appropriate cases, recruitment consultants may be used to assist in the process.

5. Evaluation (B.6)

At its meeting in August 2011, the Board considered a paper outlining the benefits of evaluating the effectiveness of the Board, its committees and the individual Directors. It was agreed that the matter would be given further consideration with a view to adopting a process. It has now been agreed to requisition the services of external consultants to design a suitable process for the Board that can be implemented informally at first and more formally over time.

6. Audit and Remuneration Committees: independence (C.3.1 and D.2.1)

The Code states that audit and remuneration committees should comprise at least three or, in the case of smaller companies, two independent Non-executive Directors. Munish Gupta, Michael Grasby and Martin Gatto are considered to be independent under the Code. However, Ravi Gupta does not meet the independence criteria set down in the Code. Mr Gupta is the brother of Arvind Gupta, Managing Director and CEO. Nevertheless, the Board considers him to be of an independent cast of mind and as a founder and Chairman of Kanishk Steel (listed on the Bombay Stock Exchange since 1991), his industry experience to be of particular relevance and value to the deliberations of the Board and its Committees.

Operation of the Board

Board of Directors

The Board comprises the following individuals:

Executive
1. Arvind Gupta (Managing Director and Chief Executive Officer); and
2. V Narayan Swami (Finance Director).

Non-executive
1. Munish Gupta (Non-executive Chairman);
2. Martin Gatto (Senior Independent Director);
3. Michael Grasby; and
4. Ravi Gupta.

The Board considers that, as at the date of this report, it complies with Code provision B.1.2, which requires that, in the case of smaller companies, there should be a minimum of two independent Non-executive Directors. In addition to the Chairman, Michael Grasby and Martin Gatto are considered to be independent under the Code.

Biographical details of all the Directors at the date of this report are set out on pages 34 to 35 together with details of their membership, as appropriate, of the Board committees. The Board is responsible for setting the Company's objectives and policies and providing effective leadership and the controls required for a publicly listed company. Directors receive papers for their consideration in advance of each Board meeting, including reports on the Group's operations, to ensure that they remain briefed on the latest developments and are able to make fully informed decisions. The Board met four times during the year under review. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied with.

Directors have the right to request that any concerns they have are recorded in the appropriate committee or Board minutes.

The Company maintains Directors' and officers' liability insurance and indemnity cover, the level of which is reviewed annually.

Chairman, Chief Executive Officer and Senior Independent Director

The roles of the Chairman and Chief Executive Officer are held by different individuals and there is a clear separation of roles.

The Chairman's key responsibilities are the effective running of the Board, ensuring that the Board plays a full and constructive part in the development and determination of the Group's strategy and overseeing the Board's decision-making process.

The key responsibilities of the Chief Executive Officer are managing the Group's business, proposing and developing the Group's strategy and overall commercial objectives in consultation with the Board and, as leader of the executive team, implementing the decisions of the Board and its committees.

Martin Gatto, the Senior Independent Director, is available to shareholders who have concerns that cannot be resolved through discussion with the Chief Executive Officer or Chairman.

Re-election of Directors

At every AGM, one-third of the Directors for the time being (excluding any Director appointed since the previous AGM) or, if their number is not three or a multiple of three, the number nearest to one-third, shall retire from office by rotation. On this basis, Martin Gatto and Michael Grasby will offer themselves for re-election at the AGM on 18 September 2012.

Information and professional development

Preliminary to the Company's admission to AIM in May 2008, all Directors received a briefing from the Company's nominated advisor of their duties, responsibilities and liabilities as directors of an AIM company. Directors are encouraged to keep abreast of developments and attend training courses to assist them with their duties.

In addition to the formal meetings of the Board, the Chairman maintains frequent contact with the other Non-executive Directors to discuss any issues of concern they may have relating to the Group or as regards their area of responsibility and to keep them fully briefed on ongoing matters relating to the Group's operations.

The Chairman is responsible for ensuring that new Directors each receive a full, formal and tailored induction on joining the Board as required by provision B.4.1 of the Code.

Corporate Governance continued

Board performance
Since the Company's admission to AIM in May 2008, the Board has had an opportunity to develop a working relationship to the extent that a meaningful evaluation of the Board, its committees and the individual Directors can now take place. Accordingly, as reported above, it has been agreed to requisition the services of external consultants to design a suitable process for the Board that can be implemented informally at first and more formally over time.

Meetings of the Board and its Committees
The following table sets out the number of meetings of the Board and its Committees during the year under review and individual attendance by the relevant members at these meetings:

	Board meetings		Board committee meetings			
			Audit		Remuneration	
	Number	Attended	Number	Attended	Number	Attended
Arvind Gupta	4	3	N/A	N/A	N/A	N/A
Narayan Swami	4	3	N/A	N/A	N/A	N/A
Munish Gupta	4	3	2	2	–	–
Martin Gatto	4	4	2	2	–	–
Michael Grasby	4	4	2	2	–	–
Ravi Gupta	4	3	2	2	–	–
Number of meetings held during the year	4		2		0	

Board committees
Audit Committee
The members of the Audit Committee are Munish Gupta, Martin Gatto, Michael Grasby and Ravi Gupta. Martin Gatto is considered to have recent, relevant financial experience. The Chief Executive and Finance Director and a representative of the auditors are normally invited to attend meetings of the Committee.

The primary duty of the Audit Committee is to oversee the accounting and financial reporting process of the Group, the external audit arrangements, the internal accounting standards and practices, the independence of the external auditor, the integrity of the Group's external financial reports and the effectiveness of the Group's risk management and internal control system. At least once a year the Audit Committee will also meet the Group's external auditors without management present.

The Audit Committee has considered the following matters during the year under review:
> The reappointment of Grant Thornton as auditors to the Company; and
> reviewing the integrity of the Group's preliminary and half year results announcements and any other formal announcement relating to its financial performance.

Remuneration Committee
The members of the Remuneration Committee are Munish Gupta, Martin Gatto, Michael Grasby and Ravi Gupta.

The primary duty of the Remuneration Committee is to supervise and determine on behalf of the Board the Group's policy and its implementation in relation to the remuneration of the Executive Directors and senior managers of the Group. The remuneration of the Non-executive Directors is a matter for the executive members of the Board. No Director may be involved in any decisions as to his own remuneration.

Full details of the role and composition of the Remuneration Committee, the remuneration policy of the Company and its compliance with the Code Provisions relating to remuneration are set out in the Directors' Remuneration Report on pages 40 to 43.

Accountability and audit
Risk management and internal control
The Board has overall responsibility for the Group's system of internal control which includes risk management. The Board has delegated the responsibility for reviewing the effectiveness of its internal control systems to the Audit Committee. The Audit Committee will review these systems, policies and processes for tendering, authorisation of expenditure, fraud and the internal audit plan, on an annual basis.

The system of internal control is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee will assist the Board in discharging its review responsibilities. A summary of the key risks facing the Group and mitigating actions is described on pages 24 to 25.

Assurance
With Grant Thornton having been auditors for two years, the Committee considers it appropriate to review their independence and effectiveness at the end of this financial year. The Committee considers that, at this early stage in the Group's development, it is more efficient to use a single audit firm to provide certain non-audit services for transactions and tax matters. However, to regulate the position, the Committee will establish a policy on the provision of non-audit services by the external auditor. That policy will set out the external auditor's permitted and prohibited non-audit services and a fee threshold requiring prior approval by the Audit Committee for any new engagement.

Going concern

The Group closely monitors and manages its liquidity risk. In assessing the Group's going concern status, the Directors have taken account of the financial position of the Group, anticipated future trading performance, its bank and other facilities, its capital investment plans and forecast gross operating margins.

The Group requires funds both for short-term operational needs as well as for long-term investment programmes mainly in growth projects. The Group generates sufficient cash flows from its current operations which, together with the available cash and cash equivalents and liquid financial asset investments, provide liquidity both in the short-term as well as in the long-term. The IPO in 2008 and our equity raising of c. £60 million in February 2011 have further strengthened the Group's financial position and, are expected to be sufficient to meet the ongoing capital investment programme and liquidity requirement of the Group in the foreseeable future ability to meet its financial obligations as they fall due.

On this basis, after making appropriate enquiries, the Directors consider that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the 2012 accounts.

Shareholder relations and the AGM

The Chief Executive, Senior Independent Director and Finance Director met with a number of key investors during the year, accompanied by Non-executive Directors as appropriate.

The Chairman will be primarily responsible for ensuring the effective communication of shareholders' views to the Board as a whole and will update the Board accordingly. Board members will seek to keep abreast of shareholder opinion and to discuss strategy and governance issues with them as appropriate.

The Annual General Meeting of the Company will be an opportunity to communicate with shareholders and the Board welcomes their participation. Notice of the Annual General Meeting will be sent to shareholders at least 21 days before the meeting. The voting results will be made available on the Company's website following the meeting.

Corporate information including the Annual Report and other financial information and announcements will be made available on the Company's website at www.opgpower.com.

Directors' Remuneration Report

Introduction

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 March 2012. This report has been substantially prepared in accordance with Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (the 'Regulations') in line with the relevant requirements of the Financial Services Authority's Listing Rules. Part II of this report has been audited by Grant Thornton in accordance with the Regulations.

Part 1 – unaudited information

Remuneration Committee

The members of the Remuneration Committee are Munish Gupta, Martin Gatto (Chairman), Ravi Gupta and Michael Grasby who, with the exception of Ravi Gupta, are all independent Non-executive Directors.

Terms of reference have been approved for the Remuneration Committee and its primary duty is to supervise and determine on behalf of the Board the Group's policy and its implementation in relation to the remuneration of the Executive Directors and senior managers of the Group. The remuneration of the Non-executive Directors is a matter for the Chairman and the executive members of the Board.

The main responsibilities of the Committee are to:

> assess and set compensation levels for the Executive Directors and senior managers;
> review the ongoing appropriateness and relevance of the remuneration policy to ensure that members of the executive team are provided with incentives that encourage enhanced performance;
> review the design of share incentive plans for the approval of the Board and shareholders;
> determine the policy for, and scope of, pension arrangements for each Executive Director and senior manager; and
> ensure that contractual terms on termination are such that failure is not rewarded and that the duty to mitigate losses is fully recognised in the drafting of Directors' service agreements and letters of appointment.

In fulfilling these duties, the Committee shall be cognisant of remuneration trends across the Group and within the sector in which the Group operates.

The Chief Executive Officer and external advisors may be invited to attend meetings of the Remuneration Committee but do not take part in the decision making.

Attendance at meetings of the Remuneration Committee by individual members is detailed in the Corporate Governance Report on page 38.

Remuneration policy

The Remuneration Committee has agreed a remuneration policy to ensure that the Company is able to attract, retain and motivate its Executive Directors and senior management.

The retention of key management and the alignment of management incentives with the creation of shareholder value are key objectives of this policy.

The Group operates in a highly competitive environment. For the Group to continue to compete successfully, it is essential that the level of remuneration and benefits offered achieves the objectives of attracting, retaining, motivating and rewarding the necessary high calibre of individuals at all levels across the Group.

The Group therefore sets out to provide competitive remuneration to all its employees, appropriate to the business environment in the market in which it operates. To achieve this, the remuneration package is based upon the following principles:

> total rewards should be set to provide a fair and attractive remuneration package;
> appropriate elements of the remuneration package should be designed to reinforce the link between performance and reward; and
> Executive Directors' incentives should be aligned with the interests of shareholders.

The remuneration strategy is designed to be in line with the Group's fundamental values of fairness, competitiveness and equity and also to support the Group's corporate strategy. A cohesive reward structure consistently applied and with links to corporate performance, is seen as critical in ensuring attainment of the Group's strategic goals.

The Group will increasingly align the interests of shareholders with those of Directors and senior employees by giving the latter opportunities and encouragement to build up a shareholding interest in the Company.

Long-term incentives

The Remuneration Committee believes that it is appropriate to operate share incentive schemes to encourage Executive Directors and senior employees to meet the Group's long-term strategic and financial objectives set by the Board.

Stock option plan

The Directors and other senior management may be granted awards under the stock option plan approved by the Board on 16 July 2009. Options granted must be exercised within 10 years of the date of grant and vesting depends on achievement of the following performance conditions:

1. the power plant at Kutch in the state of Gujarat must have been in commercial operation for three months; and
2. the closing share price must be at least £1 for three consecutive business days.

Annual bonus

No bonuses were paid during the year.

Service agreements, notice periods and termination payments

The service agreements for the Executive Directors are for no fixed term and may in normal circumstances be terminated on the notice periods set out in the table below. The Company reserves the right and discretion to pay the Executive Directors in lieu of notice. If the Company terminates the employment of an Executive Director by exercising its right to pay in lieu of notice, the Company is required to make a payment equal to the aggregate of basic salary and the cost to the Company of providing other contractual benefits for the unexpired portion of the duration of any entitlement to notice.

The key terms of the Executive Directors' service agreements are as follows:

Name	Position	Date of contract	Notice period	Current salary* (p.a.) £
Arvind Gupta	Managing Director and Chief Executive Officer	23 May 2008	12 months' prior written notice on either side	156,474
V Narayan Swami	Finance Director	23 May 2008	Three months' prior written notice on either side	46,942

* Under their service agreements, Mr Gupta and Mr Swami are entitled to medical, travel, insurance and accommodation and other allowances, which are included in their gross salaries.

Chairman and Non-executive Directors

The remuneration of the Chairman of the Company and the Non-executive Directors consists of fees that were paid quarterly in arrears. The Chairman and Non-executive Directors did not participate in any long-term incentive or annual bonus schemes, nor did they accrue any pension entitlement. Neither the Chairman nor any of the Non-executive Directors has a contract of employment with the Company. Each has instead entered into a contract for services with the Company.

Non-executive Directors' contracts for services

Non-executive Directors were appointed for an initial term of 12 months. Munish Gupta, Martin Gatto, Michael Grasby and Ravi Gupta have each signed a contract for services with the Company. They were each appointed for an initial period of 12 months and, under the terms of their contracts for services, their appointments were renewable for a further period by mutual agreement, subject to re-election, when appropriate, by the Company in general meeting. A formal process for evaluating the performance of the Board, its committees and the individual Directors will be introduced in due course.

The key terms of the Non-executive Directors' letters of appointment are as follows:

Director	Date of appointment	Notice period	Fees (p.a.) £
Munish Gupta	6 May 2008	12 months' prior written notice on either side	25,000
Martin Gatto	6 May 2008	Three months' prior written notice on either side	25,000
Michael Grasby	6 May 2008	Three months' prior written notice on either side	25,000
Ravi Gupta	12 May 2008	12 months' prior written notice on either side	25,000

External appointments

It is the Board's policy to allow the Executive Directors to accept directorships of other companies provided that they have obtained the consent of the Board. Any such directorships must be formally notified to the Board.

Directors' Remuneration Report continued

Directors' interests in ordinary shares

The interests of Directors in the ordinary share capital of the Company during the year were as follows:

	31 March 2012	1 April 2011
Gita Investments Limited[1]	**153,061,225**	153,061,225
Gita Power Inc	**17,006,802**	17,006,802
Sri Hari Vallabha Enterprises & Investments Private Limited[1]	**3,401,361**	3,401,361
Dhanvarsha Enterprise & Investments Private Limited[1]	**2,551,020**	2,551,020
Goodfaith Vinimay Private Limited[1]	**2,551,020**	2,551,020
Michael Grasby	**10,000**	5,000
Martin Gatto	**60,000**	50,000
Total	**178,641,428**	178,626,428

Note:
1 Beneficial interest in these shareholdings vests with Arvind Gupta.

There were no changes to Directors' interests between 31 March 2012 and the date of this report.

No Director had any interest in any contract of significance with the Group during the year ended 31 March 2012 other than their service contracts, details of which are given on page 41.

Part II – audited information

Directors' remuneration for the period 1 April 2011 to 31 March 2012:

Salary, annual bonus and benefits

	Salary/fees	Benefits-in-kind	Annual bonus	Total 2012	Total 2011
Non-executive Chairman					
Munish Gupta	25,000	–	–	**25,000**	25,000
Executive Directors					
Arvind Gupta	156,474	–	–	**156,474**	169,109
V Narayan Swami	46,942	–	–	**46,942**	50,734
Non-executive Directors					
Martin Gatto	25,000	–	–	**25,000**	25,000
Michael Grasby	25,000	–	–	**25,000**	25,000
Ravi Gupta	25,000	–	–	**25,000**	25,000
Total	303,416	–	–	**303,416**	319,843

Notes:
1 No consideration was paid or received by third parties for making available the services of any executive or Non-executive Director.
2 Under their service agreements, Mr Gupta and Mr Swami are entitled to medical, travel, insurance and accommodation and other allowances, which are included in their gross salaries.

Directors' share options

Options outstanding as at 31 March 2012

	Option granted	Option price £	1 April 2011	Movements during the period		31 March 2012	Latest exercise date
				Lapsed	Exercised		
Gita Investments Limited	16 July 2009	£0.60	21,524,234	Nil	Nil	21,524,234	By 15 July 2019
Martin Gatto	16 July 2009	£0.60	1,000,000	Nil	Nil	1,000,000	By 15 July 2019

At 31 March 2012 the closing mid-market price of the Company's shares was 50p. During the year under review, the Company's closing mid-market share price ranged between a low of 35p and a high of 97p.

This report has been approved by the Board of Directors of the Company.

Munish Gupta
Chairman Remuneration Committee

30 June 2012

Directors' Report

The Directors present their report, together with the audited financial statements of the Group, for the year ended 31 March 2012.

1. Incorporation
The Company is incorporated and domiciled in the Isle of Man.

2. Principal activities
The principal activities of the Group are developing, owning and operating power stations in India. Electricity generated from its plants is sold principally to captive consumers or in the short-term market in India and to the State Electricity Board.

The subsidiary and associated undertakings principally affecting the results or net assets of the Group in the year are listed in note 3.3 to the financial statements.

3. Business review
A review of the Company's business, its principal activities and future development can be found in the pages listed below and are incorporated into this report by reference:

i. key performance indicators on pags 8 to 9;
ii. Chairman's and CEO's statements on pages 10 to 15;
iii. the Operational Review, including details of the main trends and factors likely to affect the future development, performance and position of the business, on pages 22 to 23;
iv. the Responsible Growth Report on pages 30 to 33.

The Business Review has been prepared to provide the Company's shareholders with a fair review of its business and a description of the principal risks and uncertainties facing it. It may not be relied upon by anyone, including the Company's shareholders, for any other purpose.

Information about the use of financial instruments by the Group is given in note 25 to the consolidated financial statements.

4. Dividends
The financial statements for the year ended 31 March 2012 are set out on pages 47 to 77. The Board does not recommend the payment of a final dividend, considering the need to conserve cash for the continuing expansion of the business. No dividend was paid for the half year to 30 September 2011 (no dividend was paid for the year ended 31 March 2011).

5. Directors
Details of changes to the Board during the period and of the Directors offering themselves for re-election at the forthcoming AGM are set out in the Corporate Governance Report on pages 36 to 39.

Details of Directors' service agreements are set out in the Directors' Remuneration Report on page 41.

The interests of the Directors in the shares of the Company are shown in the Directors' Remuneration Report on page 42.

Biographies of all the Directors at the date of this report are set out on pages 34 to 35.

6. Directors' liability insurance and indemnities
The Company maintains liability insurance for the Directors and officers of all Group companies.

Indemnities are in force under which the Company has agreed to indemnify the Directors to the extent permitted by applicable law and the Company's Articles of Association in respect of all losses arising out of, or in connection with, the execution of their powers, duties and responsibilities as Directors of the Company or any of its subsidiaries.

7. Substantial shareholdings
The Company has been notified of the following interests in 3% or more of the Company's total voting rights at 30 June 2012:

	Percentage of voting rights and issued share capital	Number of ordinary shares
Gita Investments Limited	50.82%	178,641,428
M&G Investment Management Limited	12.33%	43,347,803
Audley Capital Advisors LLP	7.46%	26,210,650
Legal & General Investment Management Limited	5.98%	21,060,627
FOUR Capital Partners Limited	3.82%	13,425,006

8. AGM
This year's AGM will be held at our registered office at 12.30pm on 18 September 2012. The notice convening the meeting, together with details of the special business to be considered and explanatory notes for each resolution, is contained in a separate document to be sent to shareholders. It will also be available on the Company's website, www.opgpower.com, where a copy can be viewed and downloaded in a pdf format which may be printed or saved by following the link to the Investor Centre/Shareholder Circulars.

9. Employees
The average number of employees within the Group as at 31 March 2012 was 242.

10. Audit information
As required by Section 418 of the Companies Act 2006, each Director serving at the date of approval of the financial statements confirms that:
1. to the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the Company's auditors are unaware; and
2. each Director has taken all the steps a Director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

11. Auditors
Grant Thornton have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the forthcoming AGM.

12. Additional information
Articles of Association
The following narrative summarises information relating to certain provisions in the Company's Articles of Association and applicable Isle of Man law concerning companies (the Companies Act 2006 as amended by the Isle of Man Companies (Amendment) Act 2009 (the 'Act')). This is a summary only and the relevant provisions of the Act or the Articles should be consulted if further information is required.

Share capital structure
Details of the issued share capital, together with details of movements in the Company's issued share capital during the year are shown in note 16 to the consolidated financial statements.

The Company has one class of ordinary share which carries no right to fixed income. Each share carries the right to one vote at general meetings of the Company. Under its Articles, the Directors have authority to issue on a non-pre-emptive basis up to 15% of the Company's share capital in each financial year.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles and prevailing legislation. The Directors are not aware of any agreements between the holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

The Company made no purchases of its own ordinary shares during the year.

A resolution will be proposed at the forthcoming AGM seeking renewal of the shareholders' approval to make market purchases of its own shares. Such authority will be exercised having regard to applicable guidelines of the Investor Protection Committees.

Details of share schemes are set out in note 17 to the consolidated financial statements and in the Directors' Remuneration Report on page 40.

Powers of the Directors
With regard to the appointment and replacement of Directors, the Company is governed by its Articles, the Act and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of the directors are described in the Corporate Governance Report on page 37.

By order of the Board

Philip Scales
Company Secretary
OPG Power Ventures Plc
Ioma House
Hope Street
Douglas
Isle of Man
IM1 1AP

30 June 2012

Statement of Directors' Responsibilities in Respect of the Accounts

The Directors are responsible for preparing the Annual Report, the Directors' Remuneration Report and the Group and the Parent Company financial statements. The Directors are required to prepare financial statements for the Group in accordance with International Financial Reporting Standards ('IFRS') as adopted for use in the European Union and have also elected to prepare financial statements for the Company in accordance with IFRS as adopted for use in the European Union. Company law requires the Directors to prepare such financial statements in accordance with IFRS and the Companies Act 2006.

International Accounting Standard 1 requires that financial statements present fairly for each financial year the Group's and Company's financial position, financial performance and cash flows. This requires the fair presentation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the Preparation and Presentation of Financial Statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

The Directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the Group website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditors' Report to the Members of OPG Power Ventures Plc

We have audited the consolidated financial statements of OPG Power Ventures Plc for the year ended 31 March 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated and Company Statements of Cash Flow and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ('IFRS') (as adopted by the European Union).

This report is made solely to the Company's members, as a body, in accordance with our engagement with them. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' responsibilities statement on page 46, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the financial statements give a true and fair view, in accordance with International Financial Reporting Standards ('IFRS') (as adopted by the European Union), of the state of the Group's affairs as at 31 March 2012 and of their profit and loss for the year then ended.

Grant Thornton

Chartered Accountants
Third Floor
Exchange House
54/58 Athol Street
Douglas
ISLE OF MAN
IM1 1JD

30 June 2012

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

Particulars	Notes	2012	2011
Revenue		**45,253,431**	33,147,184
Cost of revenue	6	**(31,347,196)**	(18,669,898)
Gross profit		**13,906,235**	14,477,286
Other income	7	**1,538,242**	2,537,869
Distribution cost		**(895,006)**	(865,832)
General and administrative expenses	6	**(5,458,387)**	(3,666,390)
Operating profit		**9,091,084**	12,482,933
Financial costs	8	**(4,823,587)**	(2,647,296)
Financial income	9	**2,808,853**	1,326,695
Loss on deconsolidation of subsidiaries	23	**(4,815,135)**	–
Profit/(loss) before tax		**2,261,215**	11,162,332
Tax expense	10	**(2,044,115)**	(2,408,443)
Profit/(loss) for the year attributable to:		**217,100**	8,753,889
Owners of the parent		**251,427**	6,227,842
Non-controlling interest		**(34,327)**	2,526,047
		217,100	8,753,889
Earnings per share	21		
Basic earnings per share (in pence)		**0.072**	2.129
Diluted earnings per share (in pence)		**0.072**	2.093
Other comprehensive income			
Reclassification on loss of control of subsidiaries	23	**(253,343)**	–
Available-for-sale financial assets			
– Reclassification to profit and loss on sale of available-for-sale investments		**255,542**	185,459
– Current year gains/(losses) on remeasurement		**(109,483)**	(255,542)
Currency translation differences on translation of foreign operations		**(11,261,421)**	(5,076,545)
Other comprehensive income		**(11,368,705)**	(5,146,628)
Total comprehensive income for the year attributable to:		**(11,151,605)**	3,607,261
Owners of the parent		**(11,035,084)**	1,627,114
Non-controlling interest		**(116,521)**	1,980,147
		(11,151,605)	3,607,261

(See accompanying notes to the consolidated financial statements)

The financial statements were authorised for issue by the Board of Directors on 30 June 2012 and were signed on behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

Consolidated Statement of Financial Position

As at 31 March 2012

(All amounts in £, unless otherwise stated)

Particulars	Notes	2012	2011
ASSETS			
Non-current			
Property, plant and equipment	11	**93,031,022**	73,995,296
Investments and other assets	12	**2,285,430**	6,941,814
Deferred tax asset	10	**–**	155,512
Restricted cash	15	**868,996**	1,214,699
Total non-current assets		**96,185,448**	82,307,321
Current			
Inventories	14	**5,546,740**	5,605,523
Trade and other receivables	13	**17,405,365**	8,576,366
Cash and cash equivalents	15	**37,876,393**	71,104,280
Restricted cash	15	**3,712,150**	1,080,877
Current tax assets		**48,071**	272,105
Investments and other assets	12	**52,836,729**	45,486,243
Total current assets		**117,425,448**	132,125,394
Total assets		**213,610,896**	214,432,715
EQUITY AND LIABILITIES			
Equity			
Equity attributable to owners of the parent:			
Share capital		**51,671**	51,671
Share premium		**124,316,524**	124,316,524
Other components of equity		**(3,256,411)**	7,803,844
Retained earnings/(accumulated deficit)		**10,577,591**	9,050,027
Total		**131,689,375**	141,222,066
Non-controlling interest		**62,371**	9,807,809
Total equity		**131,751,746**	151,029,875
Liabilities			
Non-current			
Borrowings	18	**56,055,498**	45,254,399
Trade and other payables	19	**1,396,701**	1,231,509
Deferred tax liability	10	**1,300,658**	849,446
Total non-current liabilities		**58,752,857**	47,335,354
Current			
Borrowings	18	**14,806,900**	5,064,797
Trade and other payables	19	**7,809,652**	10,716,961
Other liabilities		**239,259**	241,112
Current tax liabilities		**250,482**	44,615
Total current liabilities		**23,106,293**	16,067,485
Total liabilities		**81,859,150**	63,402,839
Total equity and liabilities		**213,610,896**	214,432,714

(See accompanying notes to the consolidated financial statements)

The financial statements were authorised for issue by the Board of Directors on 30 June 2012 and were signed on behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

Consolidated Statement of Changes in Equity

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

Group	Issued capital (number of shares)	Share capital	Share premium
Balance at 1 April 2011	351,504,795	51,671	124,316,524
Transfers during the year			
Employee share-based payment options			
Effect of loss of control of subsidiaries (refer note 23)			
Transactions with owners	351,504,795	51,671	124,316,524
Profit for the year from operating activities			
Effect of loss of control of subsidiaries (refer note 23)			
Currency translation differences			
Gains/(losses) on sale/remeasurement of available-for-sale financial assets			
Total comprehensive income for the year	–	–	–
Balance at 31 March 2012	**351,504,795**	**51,671**	**124,316,524**
Balance at 1 April 2010	286,989,795	42,187	66,943,323
Issue of equity shares	64,515,000	9,484	57,373,201
Employee share-based payment options			
Transactions with owners	351,504,795	51,671	124,316,524
Profit for the year			
Currency translation differences			
Gains/(losses) on sale/remeasurement of available-for-sale financial assets			
Total comprehensive income for the year	–	–	–
Balance at 31 March 2011	351,504,795	51,671	124,316,524

(See accompanying notes to the consolidated financial statements)

Other reserves	Foreign currency translation reserve	Retained earnings	Total of parent equity	Non-controlling interest	Total equity
4,614,203	3,189,641	9,050,027	141,222,066	9,807,809	151,029,875
48,146			48,146	(48,146)	–
1,454,247			1,454,247		1,454,247
				(9,580,771)	(9,580,771)
6,116,596	3,189,641	9,050,027	142,724,459	178,892	142,903,351
		251,427	251,427	(34,327)	217,100
(1,281,379)	(248,101)	1,276,137	(253,343)	–	(253,343)
	(11,177,522)		(11,177,522)	(83,899)	(11,261,421)
144,354			144,354	1,705	146,059
(1,137,025)	(11,425,623)	1,527,564	(11,035,084)	(116,521)	(11,151,605)
4,979,571	**(8,235,982)**	**10,577,591**	**131,689,375**	**62,371**	**131,751,746**
3,228,892	7,721,433	2,822,185	80,758,020	7,827,662	88,585,682
			57,382,685	–	57,382,685
1,454,247			1,454,247	–	1,454,247
4,683,139	7,721,433	2,822,185	139,594,952	7,827,662	147,422,614
		6,227,842	6,227,842	2,526,047	8,753,889
	(4,531,792)		(4,531,792)	(544,753)	(5,076,545)
(68,936)			(68,936)	(1,147)	(70,083)
(68,936)	(4,531,792)	6,227,842	1,627,114	1,980,147	3,607,261
4,614,203	3,189,641	9,050,027	141,222,066	9,807,809	151,029,875

Consolidated Statement of Cash Flows

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

Particulars	2012	2011
Cash flows from operating activities		
Profit/(loss) for the year before tax	2,261,215	11,162,331
Foreign exchange loss/(gain)	130,240	(113,052)
Financial expenses	4,823,587	2,647,296
Financial income	(2,648,309)	(1,326,695)
Share-based compensation costs	1,454,247	1,454,247
Depreciation	1,397,121	1,208,461
Loss on deconsolidation of subsidiaries	4,815,135	–
	12,233,237	15,032,588
Movements in working capital		
(Increase)/decrease in trade and other receivables	(14,047,319)	(5,706,441)
(Increase)/decrease in inventories	(1,579,425)	(3,948,601)
(Increase)/decrease in other current assets	1,419,697	(2,048,059)
Increase/(decrease) in trade and other payables	5,565,387	5,258,094
Increase/(decrease) in other liabilities	1,056,506	(2,981,158)
Cash (used in)/generated from operations	4,648,082	5,719,475
Income taxes paid, net of refunds	(532,088)	(1,964,628)
Net cash generated by/(used in) operating activities	4,115,994	3,754,847
Cash flows from investing activities		
Acquisition of property, plant and equipment	(71,351,424)	(19,758,114)
Finance income	2,541,533	782,508
Dividend income	453,787	544,187
Movement in restricted cash	(3,013,933)	(931,303)
Sale/(purchase) of investments, net	2,603,909	3,124,948
(Increase)/decrease in land lease deposits	–	(2,115,283)
Net cash (used)/generated by investing activities	(68,766,128)	(18,353,057)
Cash flows from financing activities		
Proceeds from issue of ordinary shares	–	57,382,685
Refund of application money	–	
Proceeds from borrowings (net)	37,122,045	16,985,286
Interest paid	(4,823,587)	(2,647,296)
Net cash provided by financing activities	32,298,458	71,720,675
Net increase/(decrease) in cash and cash equivalents	(32,351,676)	57,122,465
Cash and cash equivalents at the beginning of the year/period	71,104,280	14,168,453
Effect of exchange rate changes on the balance of cash held in foreign currencies	(643,204)	(186,638)
Impact on deconsolidation of subsidiaries (note 23)	(233,008)	–
Cash and cash equivalents at the end of the year/period	37,876,393	71,104,280

(See accompanying notes to the consolidated financial statements)

Notes to the Consolidated Financial Statements

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

1. Corporate information

1.1. Nature of operations

OPG Power Ventures Plc ('the Company' or 'OPGPV'), and its subsidiaries (collectively referred to as 'the Group') are primarily engaged in the development, owning, operation and maintenance of private sector power projects In India. The electricity generated from the Group's plants is sold principally to public sector undertakings and heavy industrial companies in India or in the short-term market. The business objective of the Group is to focus on the power generation business within India and thereby provide reliable, cost effective power to the industrial consumers and other users under the 'open access' provisions mandated by the Government of India.

1.2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ('IFRS') and its interpretations as adopted by the European Union ('EU') and the provisions of the Isle of Man, Companies Act 2006 applicable to companies reporting under IFRS.

1.3. General information

OPG Power Ventures Plc, a limited liability corporation, is the Group's ultimate parent company and is incorporated and domiciled in the Isle of Man. The address of the Company's registered office, which is also the principal place of business, is IOMA House, Hope Street, Douglas, Isle of Man IM1 1JA. The Company's equity shares are listed on the Alternative Investment Market ('AIM') of the London Stock Exchange.

The financial statements were approved by the Board of Directors on 30 June 2012.

2. Changes in accounting policies

The Group has adopted the following revisions and amendments to IAS 24 – Related Party Disclosures issued by the International Accounting Standards Board, which is relevant to and effective for the Group's financial statements for the annual period beginning 1 April 2011.

IAS 24 R introduced changes with respect to the definition of a related party which has been clarified to ensure all the relevant information is still being captured. The Group has already identified the related parties in a similar manner as suggested by the revised standard. Hence there was no impact on these financial statements.

2.1 Standards, amendments and interpretations to existing standards that are not effective and have not been adopted early by the Group

At the date of authorisation of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective, and have not been adopted early by the Group.

Management anticipates that all of the relevant pronouncements will be adopted in the Group's accounting policies for the first period beginning after the effective date of the pronouncement. Information on new standards, amendments and interpretations that are expected to be relevant to the Group's financial statements is provided below. Certain other new standards and interpretations have been issued but are not expected to have a material impact on the Group's financial statements.

Standards and interpretations adopted by the EU as at 31 March 2012:

Standard or interpretation	Effective for reporting periods starting on or after
IFRS 9: Financial Instruments – Recognition and Measurement	1 January 2015
IFRS 10: Consolidated Financial Statements	1 January 2013
IFRS 11: Joint Arrangements	1 January 2013
IFRS 12: Disclosure of Interests in Other Entities	1 January 2013
IFRS 13: Fair Value Measurement	1 January 2013
IAS 1 Presentation of Items of Other Comprehensive Income (Amendments to IAS 1)	1 July 2012
IAS 12 Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12)	1 January 2012
IAS 19: Employee Benefits (Revised 2011)	1 January 2013
IAS 27 Separate Financial Statements	1 January 2013
IAS 28 Investments in Associates and Joint Ventures	1 January 2013

The management is yet to assess the impact of IFRS 9 on the Group's consolidated financial statements. However they do not expect to implement IFRS 9 until all of its chapters have been published and they can comprehensively assess the impact of all changes.

The management does not expect the application of the other standards to have any material impact on its financial statements when those standards become effective. The Group does not intend to apply any of these pronouncements early.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss and available-for-sale financial assets measured at fair value. The financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in accordance with IAS 1 Presentation of Financial Statements (Revised 2007) and have been presented in Great Britain Pound (£), which is the functional and presentation currency of the Company.

3.2. Basis of consolidation

The consolidated financial statements incorporate the financial information of OPG Power Ventures Plc and its subsidiaries for the year ended 31 March 2012.

A subsidiary is defined as an entity controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is acquired by the Group, and continue to be consolidated until the date that such control ceases. All subsidiaries have a reporting date of 31 March and use consistent accounting policies adopted by the Group.

All intra-Group balances, income and expenses and any resulting unrealised gains arising from intra-Group transactions are eliminated in full on consolidation.

Non-controlling interest represents the portion of profit or loss and net assets that is not held by the Group and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from parent shareholders' equity. Acquisitions of additional stake or dilution of stake from/to minority interests in the Group where there is no loss of control are accounted for as equity transaction, whereby, the difference between the consideration paid or received and the book value of the share of the net assets is recognised in 'other reserve/retained earnings' within statement of changes in equity.

The practice of presenting stand alone accounts of the Company has been dispensed with, effective this reporting period, given that the Company is principally a holding Company with no independent business income of its own and that the principal earnings of the Group are derived from its subsidiaries in India.

3.3. List of subsidiaries

Details of the Group's subsidiaries which are consolidated into the Group's consolidated financial statement, are as follows:

			% Voting right		% Economic interest	
Subsidiaries	Immediate parent	Country of incorporation	**2012**	2011	**2012**	2011
Caromia Holdings limited ('CHL')	OPGPV	Cyprus	**100**	100	**100**	100
Gita Energy Private Limited ('GEPL') (refer note below)	CHL	Cyprus	**100**	100	**100**	100
Gita Holdings Private Limited ('GHPL')[1]	CHL	Cyprus	**100**	100	**100**	100
OPG Power Generation Private Limited ('OPGPG')	GEPL and GHPL	India	**71.76**	71.76	**99**	99
OPG Power Gujarat Private Limited ('OPGG')[2]	GEPL and GHPL	India	**100**	65.90	**100**	99
OPG Renewable Energy Private Limited ('OPGRE')[3]	GEPL and GHPL	India	**0**	22	**33**	33
OPG Energy Private Limited ('OPGE')[3]	OPGPG	India	**0**	29.78	**44.22**	44.22
Gita Power and Infrastructure Private Limited ('GPIPL')	GHPL	India	**100**	100	**98.22**	97.91

1 As of 10 February 2011 pursuant to agreement for assignment of debt between CHL and OPGPV the entire shares held in GEPL and GHPL have been transferred by 'OPGPV' to 'CHL'.
2 Partly paid equity shares in OPGG have been forfeited and thereby the economic interest and voting rights of the GEPL and GHPL together stand increased to 100%.
3 Refer note 23 for deconsolidation of these subsidiaries.

3. Summary of significant accounting policies continued

3.4. Foreign currency translation

The functional currency of the Company is the Great Britain Pound Sterling (£). The Cypriot entities are an extension of the parent and pass through investment entities. Accordingly the functional currency of the subsidiaries in Cyprus is the Great Britain Pound Sterling. The functional currency of the Company's subsidiaries operating in India, determined based on evaluation of the individual and collective economic factors is Indian Rupees (INR). The presentation currency of the Group is the Great Britain Pound (£) as submitted to the AIM counter of the London Stock Exchange where the shares of the Company are listed.

At the reporting date the assets and liabilities of the Group are translated into the presentation currency which is Great Britain Pound Sterling (£) at the rate of exchange ruling at the statement of financial position date and the statement of comprehensive income is translated at the average exchange rate for the year. Exchange differences are charged/credited to other comprehensive income and recognised in the currency translation reserve in equity.

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated into functional currency at the foreign exchange rate ruling at that date. Aggregate gains and losses resulting from foreign currencies are included in general and administrative expenses within the profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The Great Britain Pound (£):Indian Rupee (INR) exchange rates used to translate the INR financial information into the presentation currency of Great Britain Pound (£) were as follows:

Particulars	2011–12	2010–11
Closing rate at 31 March	**82.90**	72.60
Average rate for the year ended 31 March	**76.69**	70.96
Closing rate at 30 November	**81.16**	–
Average rate for the period ended 30 November	**74.92**	–

3.5. Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction will flow to the Group, and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable in accordance with the relevant agreements, net of discounts, rebates and other applicable taxes and duties.

Sale of electricity

Revenue comprises revenue from sale of electricity. Revenue from the sale of electricity is recognised when earned on the basis of contractual arrangement with the customers and reflects the value of units supplied including an estimated value of units supplied to the customers between the date of their last meter reading and the reporting date.

Interest and dividend

Revenue from interest is recognised as interest accrues (using the effective interest rate method). Revenue from dividends is recognised when the right to receive the payment is established.

3.6. Taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, taxation authorities relating to the current or prior reporting periods, that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies continued

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax on temporary differences associated with investments in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Deferred tax assets and liabilities are calculated, without discounting, at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted by the end of the reporting period. Deferred tax liabilities are always provided for in full.

Deferred tax assets are recognised to the extent that it is probable that they will be able to be utilised against future taxable income. For management's assessment of the probability of future taxable income to utilise against deferred tax assets. Deferred tax assets and liabilities are offset only when the Group has a right and the intention to set off current tax assets and liabilities from the same taxation authority. Changes in deferred tax assets or liabilities are recognised as a component of tax income or expense in profit or loss, except where they relate to items that are recognised in other comprehensive income or directly in equity, in which case the related deferred tax is also recognised in other comprehensive income or equity, respectively.

3.7. Financial instruments

Financial assets and financial liabilities are measured initially at fair value adjusted by transactions costs, except for financial assets and financial liabilities carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets and financial liabilities are measured subsequently as described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

3.8. Financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:
- loans and receivables; and
- available-for-sale financial assets.

The category determines subsequent measurement and whether any resulting income and expense is recognised in profit or loss or in other comprehensive income.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default. Receivables that are not considered to be individually impaired are reviewed for impairment in groups, which are determined by reference to the industry and region of a counterparty and other shared credit risk characteristics. The impairment loss estimate is then based on recent historical counterparty default rates for each identified group.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's available-for-sale financial assets include mutual funds, listed securities and equity instruments. Available-for-sale financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the available-for-sale reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

Reversals of impairment losses are recognised in other comprehensive income, except for financial assets that are debt securities which are recognised in profit or loss only if the reversal can be objectively related to an event occurring after the impairment loss was recognised.

3. Summary of significant accounting policies continued

3.9. Financial liabilities

The Group's financial liabilities include borrowings, trade and other payables. Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within 'finance costs' or 'finance income'.

3.10. Fair value of financial instruments

The fair value of financial instruments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the statement of financial position date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current fair value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

3.11. Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and/or impairment losses, if any. The cost includes expenditures that are directly attributable to property, plant and equipment such as employee cost, borrowing costs for long-term construction projects etc, if recognition criteria are met. Likewise, when a major inspection is performed, its costs are recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repairs and maintenance costs are recognised in the profit or loss as incurred.

The present value of the expected costs of decommissioning of the asset after its use is included in the costs of the respective asset, if the recognition of the criteria for a provision is met.

Land is not depreciated. Depreciation on other assets is computed on straight-line basis over the useful life of the asset based on management's estimate as follows:

Nature of asset	Useful life (years)
Buildings	30–40
Power stations	15–40
Other plant and equipment	3–10
Vehicles	5–11

Assets in the course of construction are stated at cost and not depreciated until commissioned.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the year the asset is derecognised.

The assets residual values, useful lives and methods of depreciation are reviewed at each financial year end, and adjusted prospectively if appropriate.

3.11. Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

Group as a lessee

Contracts to lease assets are classified as finance leases if they transfer substantially all the risks and rewards of ownership of the asset to the Group. Leases where the Group does not acquire substantially all the risks and benefits of ownership of the asset are classified as operating leases.

Operating lease payments are recognised as an expense in the profit or loss on a straight-line basis over the lease term. Lease of land is classified separately and is amortised over the period of lease.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies continued

3.12. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets. Interest income earned on the temporary investment of specific borrowing pending its expenditure on qualifying assets is deducted from the costs of these assets.

Gains and losses on extinguishment of liability, including those arising from substantial modification from terms of loans are not treated as borrowing costs and are charged to profit or loss.

All other borrowing costs including transaction costs are recognised in the profit or loss in the period in which they are incurred, the amount being determined using the effective interest rate method.

3.13. Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ('CGU') fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or Groups of assets. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or CGU recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at the revalued amount, in which case the reversal is treated as a revaluation increase.

3.14. Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand and short-term deposits.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and short-term deposits, net of restricted cash and outstanding bank overdrafts.

3.15. Inventories

Inventories are stated at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition is accounted based on weighted average price.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated selling expenses.

3.16. Earnings per share

The earnings considered in ascertaining the Group's earnings per share ('EPS') comprise the net profit for the year attributable to ordinary equity holders of the parent. The number of shares used for computing the basic EPS is the weighted average number of shares outstanding during the year.

3.17. Other provisions and contingent liabilities

Provisions are recognised when present obligations as a result of a past event will probably lead to an outflow of economic resources from the Group and amounts can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events, for example, product warranties granted, legal disputes or onerous contracts. Restructuring provisions are recognised only if a detailed formal plan for the restructuring has been developed and implemented, or management has at least announced the plan's main features to those affected by it. Provisions are not recognised for future operating losses.

3. Summary of significant accounting policies continued

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. Provisions are discounted to their present values, where the time value of money is material.

Any reimbursement that the Group can be virtually certain to collect from a third party with respect to the obligation is recognised as a separate asset. However, this asset may not exceed the amount of the related provision. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

In those cases where the possible outflow of economic resources as a result of present obligations is considered improbable or remote, no liability is recognised, unless it was assumed in the course of a business combination. In a business combination, contingent liabilities are recognised on the acquisition date when there is a present obligation that arises from past events and the fair value can be measured reliably, even if the outflow of economic resources is not probable. They are subsequently measured at the higher amount of a comparable provision as described above and the amount recognised on the acquisition date, less any amortisation.

3.18. Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees. None of the Group's plans feature any options for a cash settlement.

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to 'other reserves'.

If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs up to the nominal value of the shares issued are allocated to share capital with any excess being recorded as share premium.

3.19. Employee benefits

Gratuity

In accordance with applicable Indian laws, the Group provides for gratuity, a defined benefit retirement plan ('the Gratuity Plan') covering eligible employees. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of employment.

Liabilities with regard to the gratuity plan are determined by actuarial valuation, performed by an independent actuary, at each statement of financial position date using the projected unit credit method.

The Group recognises the net obligation of a defined benefit plan in its statement of financial position as an asset or liability, respectively in accordance with IAS 19, Employee benefits. The discount rate is based on the Government securities yield. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to profit or loss in the statement of comprehensive income in the period in which they arise.

Employees Benefit Trust

Effective during the year, the Group has established an Employees Benefit Trust ('EBT') for investments in the Company's shares for employee benefit schemes. IOMA Fiduciary in the Isle of Man have been appointed as Trustees of the EBT with full discretion invested in the Trustee, independent of the Company, in the matter of share purchases. As at present, no investments have been made by the Trustee nor any funds advanced by the Company to the EBT. The Company is yet to formulate any employee benefit schemes or to make awards thereunder.

Notes to the Consolidated Financial Statements continued
For the year ended 31 March 2012
(All amounts in £, unless otherwise stated)

3. Summary of significant accounting policies continued
3.20. Business combinations
Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established using pooling of interest method. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any excess consideration paid is directly recognised in equity.

4. Significant accounting judgements, estimates and assumptions
The preparation of financial statements in conformity with IFRS requires management to make certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

The principal accounting policies adopted by the Group in the consolidated financial statements are as set out above. The application of a number of these policies requires the Group to use a variety of estimation techniques and apply judgement to best reflect the substance of underlying transactions.

The Group has determined that a number of its accounting policies can be considered significant, in terms of the management judgement that has been required to determine the various assumptions underpinning their application in the consolidated financial statements presented which, under different conditions, could lead to material differences in these statements.

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.
- Deferred tax assets:
  The assessment of the probability of future taxable income in which deferred tax assets can be utilised is based on the Group's latest approved budget forecast, which is adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in India in which the Group operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilised without a time limit, that deferred tax asset is usually recognised in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

Estimates and uncertainties
When preparing the financial statements management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results. Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses is provided below.

The key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date, that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are discussed below:
- Recoverability of deferred tax assets: The recognition of deferred tax assets requires assessment of future taxable profit (see note 3.6).
- Estimation of fair value of acquired financial assets and financial liabilities: While preparing the financial statements the Group makes estimates and assumptions that affect the reported amount of financial assets and financial liabilities.
  - Other financial liabilities:
    Borrowings held by the Group are measured at amortised cost except where designated at fair value through profit or loss. Further, liabilities associated with financial guarantee contracts in the financial statements are initially measured at fair value and remeasured at each statement of financial position date (see note 3.9 and note 18).
- Impairment tests: The determination of recoverable amounts of the CGUs assessed in the annual impairment test requires the Group to estimate of their fair value net of disposal costs as well as their value in use. The assessment of value in use requires assumptions to be made with respect to the operating cash flows of the CGUs as well as the discount rates.
- Useful life of depreciable assets: Management reviews the useful lives of depreciable assets at each reporting date, based on the expected utility of the assets to the Group.
- Provisions: The Group has currently provided for electricity tax based on demand received from the concerned authorities (see note 6a).
- Uncollectability of trade receivables: Analysis of historical payment patterns, customer concentrations, customer credit-worthiness and current economic trends. If the financial condition of a customer deteriorates, additional allowances may be required (see note 13).

5. Segment information

The Group has adopted the 'management approach' in identifying the operating segments as outlined in IFRS 8. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment has been identified as the steering committee that makes strategic decisions. Management has analysed the information that the chief operating decision maker reviews and concluded on the segment disclosure. In identifying its operating segments, management generally follows the Group's service lines, which represent the generation of the power and other related services provided by the Group. The activities undertaken by the power generation segment includes sale of power and other related services. The accounting policies used by the Group for segment reporting are the same as those used for consolidated financial statements.

For management purposes, the Group is organised into only a single business unit of power generation and distribution of the same to customers. There are no geographical segments as all revenues arise from India.

Revenue on account of sale of power to one party amounts to £22,237,514 (2010: £25,790,162).

6. Depreciation, costs of inventories and employee benefit expenses included in the consolidated statements of comprehensive income

a) Depreciation and costs of inventories included in the consolidated statements of comprehensive income:

	2012	2011
Included in cost of revenue:		
Cost of fuel consumed	**19,011,365**	14,931,913
Depreciation	**1,313,202**	1,145,380
Other direct costs	**11,022,629**	2,592,605
Total	**31,347,196**	18,669,898

Other direct costs include electricity tax provided/paid during the year amounting to £928,336 (2011: £nil). Depreciation included general and administrative expenses amounting to £83,919 (2011: £63,081).

b) Employee benefit expenses forming part of general and administrative expenses are as follows:

	2012	2011
Salaries and wages	**1,073,043**	781,534
Employee benefit costs	**117,529**	60,083
Employee stock option	**1,454,247**	1,454,247
Total	**2,644,819**	2,295,864

c) Auditor's remuneration for audit services amounting to £45,000 (2011: £38,900) is included in general and administrative expenses.

d) Foreign exchange (loss)/gain included in the general and administrative expenses/other income is as follows:

	2012	2011
Foreign exchange (loss)/gain	**(130,240)**	113,052
Total	**(130,240)**	113,052

7. Other income

a) Other income comprises of:

	2012	2011
Sale of coal	**–**	206,203
Interest on overdue receivables	**563,902**	–
Compensation for loss of profit	**370,277**	1,888,294
Miscellaneous income/expense	**604,063**	443,372
Total	**1,538,242**	2,537,869

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

7. Other income continued

The item 'compensation for loss of profit' consists of £370,277, due to OPGPG, a subsidiary, from the EPC contractor for delay in guaranteed commissioning date of their 77 MW plant, non-achievement of guaranteed performance parameters at the plant and consequent loss of revenue to OPGPG. This amount represents loss of profits which is reliably measurable as at the reporting date and has been recognised based on the terms and conditions as specified in the EPC contract and on acceptance of claim by the contractor.

Interest on overdue receivables consists of interest charged to a customer, as per the terms of the agreement on account delay in payment.

Miscellaneous income includes commission receivable of £225,000 (2011: £nil).

8. Finance costs

Finance costs comprises of:

	2012	2011
Interest expenses on loans and borrowings	**4,068,516**	2,271,354
Loss on disposal of financial instruments	**465,546**	255,542
Other finance costs	**289,525**	120,400
Total	**4,823,587**	2,647,296

Interest expenses on loans and borrowings, pertains to interest expenses on financial liability at an amortised cost of £4,068,516 (2011: £2,271,354) in the consolidated financial statement.

9. Finance income

The finance income comprises of:

	2012	2011
Interest income		
– Bank deposits	**460,114**	239,872
– Loans and receivables	**66,072**	162,340
Dividend income	**305,505**	544,187
Other finance income	**1,977,162**	372,106
Unwinding of discount on security deposits	**–**	8,190
Total	**2,808,853**	1,326,695

Other finance income includes the income earned by OPGPV on the investment of its funds raised by way of further issue during the previous year.

10. Tax expense/(income)

The major components of income tax expense for the years ended 31 March 2012 and 2011 are as follows:

Consolidated statement of changes in equity: tax reconciliation

Reconciliation between tax expense and the product of accounting profit multiplied by India's domestic tax rate for the years ended 31 March 2012 and 2011 is as follows:

	2012	2011
Accounting profit before taxes	**2,261,215**	11,162,332
Loss on deconsolidation of subsidiaries	**4,815,135**	–
Enacted tax rates	**32.445%**	32.445%
Tax on profit at enacted tax rate	**2,295,922**	3,621,619
Differences on account MAT rate	**(582,406)**	(1,596,807)
Items taxed at zero	**253,998**	417,480
Others	**76,601**	(33,849)
Actual tax expense	**2,044,115**	2,408,443

10. Tax expense/(income) continued

Consolidated statement of comprehensive income

	2012	2011
Current tax	**940,344**	2,105,976
Deferred tax	**1,103,771**	302,467
Tax expense reported in the statement of comprehensive income	**2,044,115**	2,408,443

The Company is subject to Isle of Man corporate tax at the standard rate of zero percent. As such, the Company's tax liability is zero. Additionally, Isle of Man does not levy tax on capital gains. However, considering that the Company's operations are entirely based in India, the effective tax rate of the Group has been computed based on the current tax rates prevailing in India. Further, a substantial portion of the profits of the Group's India operations are exempt from Indian income taxes being profits attributable to generation of power in India. Under the tax holiday the taxpayer can utilise an exemption from income taxes for a period of any 10 consecutive years out of the 15 years from the date of commencement of operations.

The Group is subject to the provisions of Minimum Alternate Tax ('MAT') under the Indian income taxes for the year ended 31 March 2012 and 2011. Accordingly, the Group calculated the tax liability for current taxes in India after considering MAT.

Deferred income tax for the Group at 31 March 2012 and 2011 relates to the following:

	2012	2011
Deferred income tax assets		
Lease transactions and others	**48,961**	30,294
Mark-to-market on available-for-sale financial assets	**–**	125,218
Gratuity	**4,571**	–
Total	**53,532**	155,512
Deferred income tax liabilities		
Difference in depreciation on property, plant and equipment	**1,353,007**	849,446
Mark-to-market on available-for-sale financial assets	**1,183**	
Total	**1,354,190**	849,446
Deferred income tax liabilities, net	**1,300,658**	

Movement in temporary differences during the year:

Particulars	As at 1 April 2011	Recognised in income statement	Recognised in equity	Translation adjustment	**As at 31 March 2012**
Property, plant and equipment and others	(849,446)	(503,561)	–	–	**(1,353,007)**
Lease transactions	30,294	18,667	–	–	**48,961**
Gratuity	–	4,571	–	–	**4,571**
Mark-to-market gain/(loss) on available-for-sale financial assets	125,218	–	(126,401)	–	**(1,183)**
	(693,934)	(480,323)	(126,401)	–	**(1,300,658)**

Particulars	As at 1 April 2010	Recognised in income statement	Recognised in equity	Translation adjustment	As at 31 March 2011
Property, plant and equipment and others	(514,235)	(302,467)	–	(2,450)	(819,152)
Mark-to-market gain/(loss) on available-for-sale financial assets	51,505		73,713	–	125,218
	(462,730)	(302,467)	73,713	(2,450)	(693,934)

In assessing the reliability of deferred income tax assets, management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realised. The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The amount of the deferred income tax assets considered realisable, however, could be reduced in the near term if estimates of future taxable income during the carry forward period are reduced.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

10. Tax expense/(income) continued

Shareholders resident outside the Isle of Man will not suffer any income tax in the Isle of Man on any income distributions to them. Further, dividends are not taxable in India in the hands of the recipient. However, the Company will be subject to a 'dividend distribution tax' currently at the rate of 15% (plus applicable surcharge and education cess) on the total amount distributed as dividend.

As at 31 March 2012 and 31 March 2011, there was no recognised deferred tax liability for taxes that would be payable on the unremitted earnings of certain of the Group's subsidiaries, the Group has determined that undistributed profits of its subsidiaries will not be distributed in the foreseeable future.

11. Property, plant and equipment

The property, plant and equipment comprises of:

a) Gross block

Particulars	Land and buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 1 April 2010	9,428,735	8,271,204	94,894	142,991	47,459,624	65,397,448
– Additions	444,197	42,059,353	49,460	71,375	9,635,644	52,260,029
– Disposals	(53,270)	–	–	–	(35,578,462)	(35,631,732)
– Exchange adjustments	(614,406)	(538,929)	(6,233)	(9,318)	(3,092,620)	(4,261,506)
As at 31 March 2011	9,205,256	49,791,628	138,121	205,048	18,424,186	77,764,239
As at 1 April 2011	9,205,256	49,791,628	138,121	205,048	18,424,186	77,764,239
– Additions	1,064,278	1,431,849	214,938	122,146	47,521,538	50,354,749
– Deconsolidation (refer note 23)	(986,475)	(9,013,743)	(58,777)	–	(10,672,839)	(20,731,834)
– Disposals	–	(26,541)	–	–	–	(26,541)
– Exchange adjustments	(1,202,662)	(6,129,605)	(9,802)	(34,624)	(5,318,058)	(12,694,750)
As at 31 March 2012	8,080,397	36,053,588	284,480	292,570	49,954,827	94,665,863

b) Accumulated depreciation

Particulars	Land and buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 1 April 2010	207,803	2,478,926	42,383	39,076	–	2,768,188
– Charge for the year	34,166	1,111,445	27,228	35,580	–	1,208,419
– Disposals	–	–	–	–	–	–
– Exchange adjustments	(14,313)	(186,610)	(3,393)	(3,350)	–	(207,666)
As at 31 March 2011	227,656	3,403,761	66,218	71,306	–	3,768,941
As at 1 April 2011	227,656	3,403,761	66,218	71,306	–	3,768,941
– Charge for the year	28,843	1,291,215	30,870	46,194	–	1,397,122
– Deconsolidation (refer note 23)	(223,623)	(2,773,033)	(24,009)	–	–	(3,020,665)
– Disposals	–	–	–	–	–	–
– Exchange adjustments	(26,269)	(467,030)	(6,285)	(10,973)	–	(510,557)
As at 31 March 2012	6,607	1,454,913	66,794	106,527	–	1,634,841

11. Property, plant and equipment continued

c) Net block

Particulars	Land and buildings	Power stations	Other plant and equipment	Vehicles	Assets under construction	Total
As at 31 March 2012	**8,073,790**	**34,598,675**	**217,686**	**186,043**	**49,954,827**	**93,031,022**
As at 31 March 2011	8,977,600	46,387,866	71,902	133,742	18,424,186	73,995,296

The net book value of land and buildings block comprises of:

	2012	2011
Freehold	**7,440,351**	8,203,467
Buildings	**633,439**	774,133
Total	**8,073,790**	8,977,600

Property, plant and equipment with a carrying amount of £42,672,465 (2011: £55,365,466) is subject to security restrictions (refer note 18).

An amount of £3,407,430 (previous year £1,701,620) pertaining to interest on borrowings was capitalised as the funds were deployed for the construction of qualifying assets.

12. Investments and other assets

	2012	2011
a) Current		
Available-for-sale financial assets	**1,393,866**	8,851,675
Prepayments		
– Advance to suppliers	**958,668**	2,377,033
– Capital advances	**48,637,313**	31,286,228
– Other advances	**1,846,882**	2,971,307
Total	**52,836,729**	45,486,243
b) Non-current		
Available-for-sale financial assets (refer note 23)	**1,381,762**	–
Prepayments	**813,618**	5,108,701
Loans and receivables		
– Lease deposits	**77,127**	1,065,537
– Other advances	**12,923**	767,576
Total	**2,285,430**	6,941,814

Available-for-sale financial asset

The current portion of available-for-sale financial asset represents the Group's investments in mutual fund units. The fair value of the mutual fund instruments are determined by reference to published data. These mutual fund investments are redeemable on demand.

The non-current portion of available-for-sale financial asset represents the Group's investments in OPGE and OPGRE, have been fair valued and the share of the Group has been determined and disclosed as available-for-sale classified under non-current. The management has not contemplated any sale of these investments and has not explored any options for the disposal of the same.

Prepayments (current)

Advances to suppliers include the amounts paid as advance for supply of fuel to the Group. Other advances of the Group primarily includes additional import duty on imported coal paid under protest amounting to £754,442 (2011: £211,459). Capital advances comprise of payment made to EPC contractors for construction of assets and advances paid for purchase of capital equipment. The management expects to realise these in the next one year.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

13. Trade and other receivables

	2012	2011
Current		
Trade receivables	**17,102,878**	6,518,201
Unbilled revenues	**139,114**	99,425
Other receivables	**163,373**	1,958,740
Total	**17,405,365**	8,576,366

Trade receivables are generally due within 14 days terms and are therefore short-term and the carrying values are considered a reasonable approximation of fair value. Out of the above, £17,405,365 (2011: £8,576,366) has been pledged for security as borrowings (refer note 18). As at 31 March 2012, trade receivables of £60,314 (2011: £nil) were collectively impaired and provided for.

The age analysis of the overdue trade receivables is as follows:

			Past due but not impaired		
	Total	Neither past due nor impaired	< 90 days	90–180 days	> 180 days
2012	**17,102,878**	**3,246,760**	**6,739,233**	**6,517,222**	**599,663**
2011	6,518,201	5,376,841	392,754	142,336	606,270

Refer also to note 25 for details of credit risk.

The movement in provision for trade receivables is as follows:

	Opening balance	Provision for the year	Reversal of provision	Closing balance
2012	**–**	**60,314**	**–**	**60,314**
2011	–	–	–	–

14. Inventories

	2012	2011
Coal and fuel	**5,068,904**	5,368,042
Stores and spares	**477,836**	237,481
Total	**5,546,740**	5,605,523

Out of the above, £5,546,740 (2011: £4,708,191) has been pledged for security as borrowings (refer note 18).

15. Cash and cash equivalents

Cash and short-term deposits comprise of the following:

	2012	2011
Cash at banks and on hand	**34,023,639**	69,884,386
Short-term deposits	**3,852,754**	1,219,894
Total	**37,876,393**	71,104,280

Short-term deposits are made for varying periods, depending on the immediate cash requirements of the Group. They are recoverable on demand.

Restricted cash represents deposits maturing between 3 to 12 months amounting to £3,712,150 (2011: £1,080,877) and maturing after 12 months amounting to £868,996 (2011: £1,214,699) which have been pledged by the Group in order to fulfil collateral requirements (refer note 18).

16. Issued share capital

Share capital

The Company presently has only one class of ordinary shares. For all matters submitted to vote in the shareholders meeting, every holder of ordinary shares, as reflected in the records of the Group on the date of the shareholders' meeting, has one vote in respect of each share held. All shares are equally eligible to receive dividends and the repayment of capital in the event of liquidation of the Group.

The Company has an authorised and issued share capital of 351,504,795 equity shares (2011: 351,504,795) at par value of £0.000147 (2011: £0.000147) per share amounting to £51,671 (2011: £51,671).

The Company has issued share capital at par value of £51,671 (£0.000147 per share).

Reserves

Share premium represents the amount received by the Group over and above the par value of shares issued and the excess of the fair value of share issued in business combination over the par value of such shares. Any transaction costs associated with the issuing of shares are deducted from securities premium, net of any related income tax benefits.

Translation reserve is used to record the exchange differences arising from the translation of the financial statements of the foreign subsidiaries.

Other reserves represent the difference between the consideration paid and the adjustment to net assets on change of controlling interest, without change in control. Other reserves also include any costs related with share options granted and gain/losses on remeasurement of available-for-sale financial assets.

Retained earnings include all current and prior period results as disclosed in the statement of comprehensive income less dividend distribution.

17. Share-based payments

The Board has granted share options to Directors and nominees of Directors which are limited to 10% of the Group's share capital. Once granted, the share must be exercised within 10 years of the date of grant otherwise the options would lapse.

The vesting conditions are as follows:
- The 300 MW power plant of Kutch in the state of Gujarat must have been in commercial operation for three months.
- The closing share price being at least £1.00 for three consecutive business days.

The related expense has been amortised over the estimated vesting period of 4.21 years (expected completion of the Kutch plant) and an expense amounting to £1,454,247 (2011: £1,454,247) was recognised in the profit or loss with a corresponding credit to other reserves.

Movement in the number of share options outstanding and their related weighted average exercise price are as follows:

Particulars	**2012**	2011
At 1 April	**22,524,234**	22,524,234
Granted	**–**	–
Forfeited	**–**	–
Exercised	**–**	–
Expired	**–**	–
At 31 March	**22,524,234**	22,524,234

Assumptions on valuation of options

The weighted average price fair value of options granted during the previous period, determined using the Black-Scholes valuation model, was £0.28 per option. The significant inputs into the model were weighted average share price of £0.66 (2011) at the grant date, exercise price shown above, volatility of £0.60 (2011: £0.60), nil dividend yield (2011: nil), an expected option life of 4.21 years (2011: 4.21 years) and annual risk free rate of 3%. The volatility measured at the standard deviation of continuously compounded share returns is based on daily share prices of the last three years.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

18. Borrowings

The Borrowings comprise of the following:

	Interest rate (range %)	Final maturity	2012	2011
Long-term loans	12.30–14.62	March 2023	**56,055,498**	45,254,399
Short-term loans	12.30–14.62	March 2013	**2,908,457**	3,367,529
Cash credit and working capital arrangements			**3,311,968**	1,294,930
LC bills discounting and buyers' credit facility		March 2013	**8,586,475**	402,338
Total			**70,862,398**	50,319,196

Total debt of £70,862,398 (2011: £50,319,196) is secured as follows:

- Financial liabilities are measured at amortised cost of the Group.
- The long-term loans taken by the Group are fully secured on the property, plant and other movable current assets of subsidiaries which have availed such loans. All the loans are personally guaranteed by a Director.
- The short-term loan and cash credits taken by the Group are secured against hypothecation of current assets and in certain cases by deposits and margin money as collateral.
- LC bills discounting and buyers' credit facility is fully secured by hypothecation of current assets and in certain cases by margin money deposits and other fixed deposits of the respective entities availing the facility.

Long-term 'project finance' loans contain certain restrictive covenants stipulated by the facility providers and primarily require the Group to maintain specified levels of certain financial metrics and operating results. The terms of the other borrowings arrangements also contain certain restrictive covenants primarily requiring the Group to maintain certain financial metrics. As of 31 March 2012, the Group has met all the relevant covenants.

The fair value of borrowings at 31 March 2012 was £70,862,398 (2011: £50,319,196). The fair values have been calculated by discounting cash flows at prevailing interest rates.

The borrowings mature as follows:

	2012	2011
Current liabilities		
Amounts falling due within one year	**14,806,900**	5,064,797
Non-current liabilities		
Amounts falling due after one year but not more than five years	**37,336,198**	24,694,855
Amounts falling due in more than five years	**18,719,300**	20,559,544
Total	**70,862,398**	50,319,196

19. Trade and other payables

	2012	2011
Current		
Trade payables	**7,229,514**	9,499,104
Creditors for capital goods	**434,913**	314,977
Other payables	**145,225**	902,880
Total	**7,809,652**	10,716,961

	2012	2011
Non-current		
Trade payables	**1,396,701**	1,231,509
Total	**1,396,701**	1,231,509

With the exception of certain trade payables, all amounts are short-term.

- Trade payables are non-interest bearing and are normally settled on 45 days terms.
- Creditors for capital goods are non-interest bearing and are usually settled within a year.
- Other payables include provision for gratuity and other provision for expenses.
- Non-current trade payables comprises retention money which will be settled after completion and successful installation of the projects.

20. Related party transactions

Where control exists

Name of the party	Nature of relationship
Gita Investments Limited	Ultimate parent
Caromia Holdings Limited	Subsidiary
Gita Energy Private Limited	Subsidiary
Gita Holdings Private Limited	Subsidiary
OPG Power Generation Private Limited	Subsidiary
OPG Power Gujarat Private Limited	Subsidiary
OPG Renewable Energy Private Limited	Subsidiary up to 30 November 2011
OPG Energy Private Limited	Subsidiary up to 30 November 2011
Gita Power and Infrastructure Private Limited	Subsidiary

Key management personnel

Name of the personnel	Nature of relationship
Arvind Gupta	Chief Executive Officer
V Narayan Swami	Chief Financial Officer
Munish Gupta	Chairman
Martin Gatto	Director
Ravi Gupta	Director
Michael Grasby	Director

Related parties with whom the Group had transactions during the period

Name of the related party	Nature of relationship
Sri Hari Vallabha Enterprises & Investments (P) Limited	Entity in which key management personnel has control/significant influence
Dhanvarsha Enterprises & Investments Private Limited	Entity in which key management personnel has control/significant influence
Goodfaith Vinmay (P) Limited	Entity over which key management personnel exercises control/significant influence through relatives
Salem Food Products Limited	Entity in which key management personnel has control/significant influence
Sri Rukmani Rolling Mill Private Limited	Entity in which key management personnel has control/significant influence
Kanishk Steel Industries Limited	Entity in which key management personnel has control/significant influence
Gita Energy & Generation Private Limited	Entity in which key management personnel has control/significant influence
Powerserve Support Limited	Entity in which key management personnel has control/significant influence
Gita Devi	Relative of key management personnel
Rajesh Gupta	Relative of key management personnel
Ravi Gupta	Relative of key management personnel
Avantika Gupta	Relative of key management personnel

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

20. Related party transactions continued

Name of the party	2012	2011
Summary of transactions with related parties		
Kanishk Steel Industries Limited		
a) Sharing of power	**692,091**	495,323
b) Cost of power generated	–	24,607
c) Lease deposit	–	1,308,553
d) Lease rent paid	–	148,478
e) Reimbursement of expenses	–	10,851
f) Sale of coal	**310,104**	–
g) Purchase of raw material	**5,616**	–
Salem Food Products Limited		
a) Sharing of power	–	23,757
b) Interest received	**54,123**	66,130
Sri Rukmani Rolling Mill Private Limited		
a) Sharing of power	–	35,469
b) Sale of coal	–	1,889
Gita Devi		
a) Rent paid	–	–
b) Reimbursement of expenses	–	1,043
Avantika Gupta		
a) Remuneration	**32,036**	25,367
Gita Energy & Generation Private Limited		
a) Advance paid	–	2,403,604
b) Reimbursement of expenses	**1,076**	–
Powerserve Support Limited		
a) Consultancy fees	**31,863**	–
OPG Renewable Energy Private Limited		
a) Sale of coal	**21,338**	–

Name of the party	2012	2011
Summary of balances with related parties		
Salem Food Products Limited		
a) Loan outstanding	–	759,494
b) Trade and other receivables	–	–
Kanishk Steel Industries Limited		
a) Trade and other receivables	**286,872**	331,769
b) Lease deposit outstanding	–	4,611,201
Sri Rukmani Rolling Mill Private Limited		
a) Trade and other receivables	**7,197**	28,028
OPG Renewable Energy Private Limited		
a) Trade and other receivables	**224,527**	–

Outstanding balances at the year-end are unsecured and interest-bearing in case of loans that are repayable on demand. The interest rates charged closely approximate to the market rates. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 March 2012, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2011: £nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Earnings per share

Both the basic and diluted EPS have been calculated using the profit attributable to shareholders of the parent company as the numerator (no adjustments to profit were necessary in 2011 or 2012).

The weighted average number of shares for the purposes of diluted EPS can be reconciled to the weighted average number of ordinary shares used in the calculation of basic EPS as follows:

Particulars	2012	2011
Weighted average number of shares used in basic EPS	**351,504,795**	292,469,151
Shares deemed to be issued for no consideration in respect of share-based payments	**638,339**	5,104,499
Weighted average number of shares used in diluted EPS	**352,143,134**	297,573,650

22. Director's remuneration/key management personnel

Name of Directors	2012	2011
Arvind Gupta	**156,474**	169,109
V Narayan Swami	**46,942**	50,734
Martin Gatto	**25,000**	25,000
Michael Grasby	**25,000**	25,000
Munish Gupta	**25,000**	25,000
Ravi Gupta	**25,000**	25,000
Total	**303,416**	319,843

The above amounts relate to short-term benefits. There are no long-term benefits and termination benefits which are payable to the key management personnel.

23. Loss on deconsolidation of subsidiaries

In the previous year, pursuant to the voting rights agreement entered by GEPL with Tamil Nadu Property Developers Limited ('TNPDL') and Salem Food Products Limited ('SFPL') and OPGPG with Sonal Vyapar Limited ('SVL') and TNPDL (hereinafter TNPDL, SFPL and SVL are collectively referred as 'Investors') dated 12 May 2008 and 26 April 2008 respectively, the Investors agreed that in consideration of GEPL agreeing to subscribe for shares in OPGRE and OPGPG agreeing to subscribe for shares in OPGE, the Investors will exercise all voting rights in accordance of the directions of GEPL and OPGPG. The total voting rights held by the Investors in OPGRE and OPGE amount respectively to 45% and 21.59%. Further the Investors had also appointed GEPL and OPGPG as the lawful attorneys to exercise their voting rights. Therefore the combination of the directly held interests together with the Investors voting with the Group had the effect that the Group controlled a majority of voting rights in OPGRE and OPGE. Accordingly these companies were considered to be subsidiaries of the Group until the expiry of the agreement on 30 November 2011.

The management determined not to exercise control over the operations of OPGRE and OPGE beyond that date and has, pursuant to a voting rights agreement entered on 1 December 2011 by GEPL, GHPL and OPGPG (hereinafter referred as 'Shareholders') with TNPDL, the Shareholders have agreed to exercise their voting rights in accordance with the directions of TNPDL in the context of the expiry of the voting rights hitherto available from the Investors. The Shareholders have thus extended voting support to TNPDL to provide for appropriate management of the Company. Also, the Group withdrew its nominees from the offices held in the respective companies effective 1 December 2011. There was no consideration that was received and these events resulted in loss of control and significant influence over OPGRE and OPGE and effective 1 December 2011, the Group's interests in the said companies are being accounted as investments.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

23. Loss on deconsolidation of subsidiaries continued

Accordingly, the Group has derecognised the carrying value of assets, liabilities and non-controlling interest of the former subsidiaries and has recognised the fair value of the retained investments at the date when control is lost. Further, the Group has reclassified to profit and loss, such amounts pertaining to these erstwhile subsidiaries that were earlier recognised through other comprehensive income and has accounted for the resulting difference as loss attributable to the Group. At the date of loss of control, the carrying amount of the subsidiaries' net assets, the fair valuation and the resultant impact on the loss of control are as follows:

Particulars	OPGRE	OPGE	Total
Fair value as certified by independent valuers	–	3,124,744	3,124,744
Consideration received	–	–	–
Fair value of retained non-controlling investment	–	1,381,762	1,381,762
Total (A)	–	1,381,762	1,381,762
Total assets	7,520,744	32,183,730	39,704,474
Total liabilities	5,671,332	18,002,130	23,673,462
Net worth	1,849,412	14,181,600	16,031,012
Non-controlling interest on date of loss of control	(1,253,311)	(8,327,461)	(9,580,772)
Net assets attributable to the Group (B)	596,101	5,854,139	6,450,240
Adjustment required to carrying value on deconsolidation (B–A)	**596,101**	**4,472,377**	**5,068,478**
Recycle from other comprehensive income			
Revaluation reserve	(2,076)	(3,166)	(5,242)
Translation reserve	(20,599)	(227,502)	(248,101)
Net charge on disposal effecting the Group	**573,426**	**4,241,709**	**4,815,135**

Further the negative goodwill arising from the original investment which was recognised in equity at the time of acquisition has been dealt with under equity.

Effect of disposal on the statement of cash flows of the Group:

Particulars	Total
Property, plant and equipment, net	7,011,772
Investment and other assets (non-current)	9,249,940
Deferred tax asset	96,139
Restricted cash	221,004
Investment and other assets (current)	7,829,566
Trade and other receivables	3,171,602
Inventories	842,089
Current tax assets, net	30,894
Borrowings	(7,396,057)
Deferred tax liabilities	(484,831)
Accounts payable	(1,380,839)
Current tax liabilities, net	(6,421)
Other liabilities	(4,987,310)
Net assets	14,197,548
Equity	14,430,556
Consideration received	–
Cash and cash equivalents disposed off	233,008
Net cash outflow	**233,008**

24. Commitments and contingencies

Operating lease commitments

The Group leases land under operating leases. The leases typically run for a period of 15 to 30 years, with an option to renew the lease after that date. None of the leases include contingent rentals.

Non-cancellable operating lease rentals are payable as follows:

	2012	2011
Not later than one year	**33,304**	339,703
Later than one year and not later than five years	**133,215**	1,358,810
Later than five years	**647,098**	2,813,221
Total	**813,617**	4,511,734

During the year ended 31 March 2012, £36,001 (2011: £339,703) was recognised as an expense in the statement of comprehensive income in respect of operating leases.

Capital commitments

During the year ended 31 March 2012, the Group entered into a contract to purchase property, plant and equipment for £100,485,417 (2011: £92,009,451).

Guarantees

a) Letter of credit and bank guarantee provided by the banker on behalf of the Group are as disclosed below:

Particulars	As at 31 March 2012	As at 31 March 2011
Letter of credit	**3,837,061**	9,185,515
Bank guarantee	**4,597,552**	3,293,417

25. Financial risk management objectives and policies

The Group's principal financial liabilities, comprises of loans and borrowings, trade and other payables, and other current liabilities. The main purpose of these financial liabilities is to raise finance for the Group's operations. The Group has loans and receivables, trade and other receivables, and cash and short-term deposits that arise directly from its operations. The Group also holds available-for-sale investments.

The Group is exposed to market risk, credit risk and liquidity risk.

The Group's senior management oversees the management of these risks. The Group's senior management advises on financial risks and the appropriate financial risk governance framework for the Group.

The Board of Directors review and agree on policies for managing each of these risks which are summarised below:

Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise three types of risk: interest rate risk, currency risk and other price risk, such as equity risk. Financial instruments affected by market risk include loans and borrowings, deposits and available-for-sale investments.

The sensitivity analysis in the following sections relate to the position as at 31 March 2012 and 31 March 2011.

The following assumption has been made in calculating the sensitivity analysis:

– The sensitivity of the statement of comprehensive income is the effect of the assumed changes in interest rates on the net interest income for one year, based on the floating rate of borrowings held at 31 March 2012, all other variables being held constant. These changes are considered to be reasonably possible based on observation of current market conditions.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

25. Financial risk management objectives and policies continued

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

At 31 March 2012 and 31 March 2011, the Group had no interest rate derivatives.

If interest rates increase or decrease by 100 basis points with all other variables being constant, the Group's profit after tax for the year ended 31 March 2012 would decrease or increase by £243,249 (2011: £143,355). Increase/decrease in interest rates would have the same impact on the Group's equity.

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market equity rates. The Group's exposure to the risk of changes in market equity prices relates primarily to the Group's available-for-sale investments. The analysis is based on the assumption that the equity indexes had increased by 10% with all other variables held constant and all the entity's equity instruments moved according to the historical correlation with the index. The maximum impact of increases in the investment on the entity's post-tax profit for the year is £139,387 (2011: £885,168).

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. The Group's presentation currency is the Great Britain Pound (£). A majority of the Group's assets are located in India where the Indian Rupee is the functional currency for its subsidiaries. Currency exposures also exist in the nature of capital expenditure and services denominated in currencies other than the Indian Rupee.

Set out below is the impact of a 10% change in the US Dollar on profit arising as a result of the revaluation of the Group's foreign currency financial instruments:

	As at 31 March 2012		As at 31 March 2011	
Currency	**Closing rate**	**Effect of 10% strengthening of £ on net earnings**	Closing rate	Effect of 10% strengthening of £ on net earnings
United States Dollar (USD)	**50.88**	**(847,894)**	45.29	(742,124)

The impact on total equity is the same as the impact on net earnings as disclosed above.

Credit risk analysis

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk from its operating activities (primarily for trade and other receivables) and from its financing activities, including short-term deposits with banks and financial institutions, and other financial assets.

The maximum exposure for credit risk at the reporting date is the carrying value of each class of financial assets amounting to £63,452,199 (2011: £97,769,710).

The Group's substantial supply of power is to the electricity departments of the government, where the Group has assessed the credit risk as low and the Group has contractual rights to charge interest on overdue receivables. However, the Group has exposure to credit risk from a limited customer group. The Group ensures concentration of credit does not significantly impair the financial assets since the customers to whom the exposure of credit is taken are well established and reputed industries engaged in their respective field of business. The credit worthiness of customers to which the Group grants credit in the normal course of the business is monitored regularly. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

The Group's maximum exposure for financial guarantees is noted in note 24.

The Group's management believes that all the above financial assets, except as mentioned in note 12 and 13, are not impaired for each of the reporting dates under review and are of good credit quality.

25. Financial risk management objectives and policies continued

Liquidity risk analysis

The Group's main source of liquidity is its operating businesses. The treasury department uses regular forecasts of operational cash flow, investment and trading collateral requirements to ensure that sufficient liquid cash balances are available to service ongoing business requirements. The Group manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored in various time bands, on a day-to-day and week-to-week basis, as well as on the basis of a rolling 90-day projection. Long-term liquidity needs for a 90-day and a 30-day lookout period are identified monthly.

The Group maintains cash and marketable securities to meet its liquidity requirements for up to 60-day periods. Funding for long-term liquidity needs is additionally secured by an adequate amount of committed credit facilities and the ability to sell long-term financial assets.

The following is an analysis of the Group contractual undiscounted cash flows payable under financial liabilities at 31 March 2012:

	Current		Non-current		
	On demand	Within 12 months	1–5 years	Later than 5 years	Total
Borrowings		14,420,697	67,125,057	13,903,635	95,449,389
Trade and other payables		7,809,652	1,396,701	–	9,206,353
Other current liabilities		239,259	–	–	239,259
Total		**22,469,608**	**68,521,758**	**13,903,635**	**104,895,001**

Capital management

Capital includes equity attributable to the equity holders of the parent and debt.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. Objectives include, among others:

– ensure Group's ability to meet both its long-term and short-term capital needs as a going concern; and
– to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

No changes were made in the objectives, policies or processes during the years ended 31 March 2012 and 2011.

The Group maintains a mixture of cash and cash equivalents, long-term debt and short-term committed facilities that are designed to ensure the Group has sufficient available funds for business requirements.

The subsidiaries in the Group, when engaged in the business of captive power generation were subject to statutory requirement of maintaining the captive consumers' equity at 26% of the total equity. Apart from the aforementioned requirement, there are no other imposed capital requirements on Group or entities, whether statutory or otherwise.

The capital for the reporting periods under review is summarised as follows:

	2012	2011
Total equity	**131,751,746**	151,029,875
Less: cash and cash equivalents	**(37,876,393)**	(71,104,280)
Capital	**93,875,353**	79,925,595
Total equity	**131,751,746**	151,029,875
Add: borrowings (including buyer's credit)	**70,862,398**	50,319,196
Overall financing	**202,614,144**	201,349,071
Capital to overall financing ratio	**0.46**	0.40

The Group's goal in capital management is to maintain a capital-to-overall financing structure ratio as low as possible.

Notes to the Consolidated Financial Statements continued

For the year ended 31 March 2012

(All amounts in £, unless otherwise stated)

25. Financial risk management objectives and policies continued

The Group sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

26. Summary of financial assets and liabilities by category and their fair values

Set out below is a comparison by class of the carrying amounts and fair value of the Group's financial instruments that are carried in the financial statements:

	Carrying amount		Fair value	
	2012	2011	**2012**	2011
Financial assets				
Cash and cash equivalents[1]	**37,876,393**	71,104,280	**37,876,393**	71,104,280
Available-for-sale quoted instruments[4]	**2,775,628**	8,851,675	**2,775,628**	8,851,675
Restricted cash	**4,581,146**	2,295,575	**4,581,146**	2,295,575
Current trade and other receivables[1]	**17,405,365**	8,576,366	**17,405,365**	8,576,366
Non-current trade and other receivables[2]	**903,669**	6,941,814	**903,669**	6,941,814
	63,542,199	97,769,710	**63,542,199**	97,769,710
Financial liabilities				
Long-term 'project finance' loans[3]	**56,055,498**	45,254,398	**56,055,498**	45,254,398
Short-term loans[1]	**6,220,425**	4,662,459	**6,220,425**	4,662,459
LC bill discounting and buyers' credit facility[1]	**8,586,475**	402,338	**8,586,475**	402,338
Current trade and other payables[1]	**7,374,739**	10,401,984	**7,374,739**	10,401,984
Non-current trade and other payables[3]	**1,396,701**	1,231,509	**1,396,701**	1,231,509
	79,633,838	61,952,689	**79,633,838**	61,952,689

The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

1 Cash and short-term deposits, trade receivables, trade payables, and other borrowings like short-term loans, current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.
2 Long-term loans and receivables and trade receivables are evaluated by the Group based on parameters such as interest rates, individual creditworthiness of the customer and the risk characteristics of the financed project. As of 31 March 2012, the carrying amounts of such receivables, net of allowances, approximate their fair values.
3 The fair value of loans from banks and other financial indebtedness, financial liabilities at fair value through profit or loss as well as other non-current financial liabilities is estimated by discounting future cash flows using rates currently available for debt or similar terms and remaining maturities.
4 Fair value of available-for-sale instruments are derived from quoted market prices in active markets. For investments retained in OPGE and OPGRE, the fair value is based on the report from independent valuers.

26. Summary of financial assets and liabilities by category and their fair values continued

Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
Non-derivative financial assets held for trading				
Available-for-sale financial assets				
Unquoted securities	1,393,866	–	1,381,759	2,775,625
Quoted securities	–	–	–	–
Total	**1,393,866**	**–**	**1,381,759**	**2,775,625**

There were no transfers between Level 1 and 2 in the period.

Approved by the Board of Directors on 30 June 2012 and signed on behalf by:

Arvind Gupta
Chief Executive Officer

V Narayan Swami
Chief Financial Officer

Corporate Directory

Nominated Advisor and Broker
Cenkos Securities Plc
6-7-8 Tokenhouse Yard
London
EC2R 7AS

Financial PR
Tavistock Communications
131 Finsbury Pavement
London
EC2A 7AS

Administrators and Company Secretary
IOMA Fund and Investment Management Limited
IOMA House
Hope Street
Douglas
Isle of Man
IM1 1AP

Auditors
Grant Thornton
Third Floor
Exchange House
54-58 Athol Street
Douglas
Isle of Man
IM1 1JD

Legal Advisors
Dougherty Quinn
The Chambers
5 Mount Pleasant
Douglas
Isle of Man
IM1 2PU

Registrars
Capita Registrars (Isle of Man) Limited
3rd Floor
Exchange House
54-58 Athol Street
Douglas
Isle of Man
IM1 1JD

Definitions and Glossary

Act: Isle of Man Companies Act 2006
AGM: Annual General Meeting
Board: Board of Directors of OPG Power Ventures Plc
BHEL: Bharat Heavy Electricals Limited
BOP: Balance of Plant
bps: Basis points
CAGR: Compound Average Growth Rate
CEA: Central Electricity Authority
CIL: Coal India Limited
Company or OPG or parent: OPG Power Ventures Plc
EBITDA: Earnings before interest, tax, depreciation and amortisation
Electricity Act: Indian Electricity Act 2003 as amended
EPC: Engineering, Procurement and Construction
EPS: Earnings per share
FY: Financial Year commencing from 1 April to 31 March
GCP: Group Captive Plant
GDP: Gross Domestic Product
Government: Government of India
Great Britain Pound Sterling or £/pence: Pounds or sterling/pence, the lawful currency of the UK
Group Captive: Group Captive Power plant as defined under Electricity Act 2003, India
Group or OPG: the Company and its subsidiaries
GW: Giga Watt
IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
Indian Companies Act: the Companies Act, 1956 and amendments thereto
LOI: Letter of Intent
KWh: Kilowatt hour
LSE: London Stock Exchange plc
MoU: Memorandum of Understanding
MW: Mega Watt
MWh: Mega Watt hour
O&M: Operating and Management
PLF: Plant Load Factor
PPA: Power Purchase Agreement
PSA: Power Supply agreement
ROE: Return on Equity
Rupees/INR or Rs: Indian Rupee, the lawful currency of India
SEB: State Electricity Board
SPV: Special Purpose Vehicle
State: State of India
The Code: the UK Corporate Governance code, issued by the Financial Reporting Council
UK/United Kingdom: United Kingdom of Great Britain and Northern Ireland
US$/USD or $: US Dollars, the lawful currency of the US

Notes

Designed and produced by **Emperor Design Consultants Ltd**
Telephone **+44 (0)20 7729 9090 www.emperordesign.co.uk**

www.opgpower.com

India:
OPG Power Ventures Plc
No. 6, Sardar Patel Road
Guindy
Chennai – 600 032
India
T: +91 44 42911234, 228

Isle of Man:
OPG Power Ventures Plc
IOMA House, Hope Street
Douglas, Isle of Man
IM1 1AP
T: +44 (0) 1624 681200